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RURAL AGRICULTURAL ISSUES IN THE STATE OF VERMONT

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST SESSION

ON

RURAL ECONOMIC REVITALIZATION, ENVIRONMENTAL PROTECTION, NUTRITION, AND DAIRY FARMING

JULY 27, 1987—WINOOSKI, VT

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RURAL AGRICULTURAL ISSUES IN THE STATE OF VERMONT

MONDAY, JULY 27, 1987

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Winooski, VT.

The committee met, pursuant to notice, at 9:20 a.m., at the McCarthy Art Center, St. Michael's College, Winooski, VT, Hon. Patrick J. Leahy (chairman of the committee) presiding.

Present or submitting a statement: Senators Leahy, Pryor, Heflin, Conrad, Fowler, Daschle, Breaux, Lugar, Cochran, and Bond.

Also present: Richard E. Lyng, Secretary of Agriculture.

STATEMENT OF HON. PATRICK J. LEAHY, A U.S. SENATOR FROM VERMONT

The CHAIRMAN. The Senate Committee on Agriculture, Nutrition, and Forestry will come to order. I want to welcome everybody who is here, and note a couple of things.

The hearing that we will have today will be exactly the same as any hearing we would have in Washington, with a few notable differences. One, it's a lot prettier here than it is in Washington, and, second, I think we have far more Senators than we normally would have at a hearing in Washington.

Not all of us go to the Agriculture Committee hearings, as some of you may have heard. In fact, normally you have staff cover the hearings, and I think the average time a Senator might spend in a hearing is 15 minutes, if the Senator had an individual matter he or she wanted to cover.

It's with a great deal of gratitude that I see the number of Senators who have come here and are going to stay throughout the day for the hearing. Nobody's going to leave until it is all over. I have the keys to the airplane in my pocket.

I have on my left the distinguished ranking member of the Senate Agriculture Committee, Senator Lugar of Indiana. Senator Lugar is the former chairman of the Senate Foreign Relations Committee, and is a senior member on that committee.

To my right, David Pryor of Arkansas, former Governor of Arkansas, and a senior member of the Senate Agriculture Committee.

To Dick Lugar's left is Senator Thad Cochran of Mississippi, who has been up here a couple of times for hearings.

The first time he came to Vermont for a hearing with me, it was 30 degrees below zero.

By contrast, when Dick Lugar came with me we had a hearing in a building without air-conditioning in Middlebury. I had promised him a wonderful summer like the cool weather that we have here today. It started out at 95 degrees that morning and reached 110 degrees in the room by the time we had finished. He said he would get even.

I never realized what he meant until we went out to Indiana for a hearing, and it was 15 degrees below zero. We had a sleet storm and got socked in there for a day or so.

Senator Howell Heflin is a former chief justice of the Alabama supreme court. I appreciate very much Senator Heflin being here, because he is a member of the Iran-contra panel, and has taken time off to be here.

Senator Heflin agreed to come to Vermont so long as it was either in July or August. He made the famous statement when he noticed the Vermont flag at the Senate Agriculture Committee—when told it had been flown over the South Pole, he allowed as how it probably felt right at home in Vermont.

In fact, I should note Mrs. Heflin is also here as is Mrs. Cochran and Mrs. Pryor, and my own wife. I'm delighted to have all of you, too.

Senator Wyche Fowler of Georgia is a new member of our committee, and I have noted the fact that we went down to Georgia to hold a field hearing in his State and we are going to have a chance to see the difference between the two States.

Kent Conrad is the new Senator from North Dakota. Senator Conrad stayed with a farm family last night, as did Marcelle and I, so we could all get up and do the milking. The farm family said they'd never allow us to do that again.

Senator Tom Daschle of South Dakota also stayed with a farm family here in Vermont last night. He is no stranger to Vermont, having visited here before.

Senator John Breaux of Louisiana, is the newest member of the Senate Agriculture Committee. I'm delighted to have him with us and I am glad that he is able to enjoy a chance to come to Vermont. I will have to hold a hearing in New Orleans at Mardi Gras time.

Senator Chris Bond of Missouri, another member of the Senate Agriculture Committee, and a former Governor of Missouri is here.

Of course we have the distinguished Secretary of Agriculture with us as well. In just a few minutes I will be introducing both he and Ron Allbee, Vermont Commissioner of Agriculture.

When I became chairman of the U.S. Senate Committee on Agriculture, I said we were going to do things a little differently. I said we were going to take the committee out of Washington, out of the stuffy marble hearing rooms, pretty as they are, but out of those marble halls in Washington. I wanted to get us out in rural America, so over the last 7 months the committee has been on the road in rural America.

We have been in Iowa, Nebraska, North Dakota, South Dakota, Mississippi, Georgia, and Minnesota. We've learned a lot. And we've learned it first hand in auction pits, school auditoriums, diners, and bowling alleys throughout the Midwest and the South.

We stayed with farm families all around the country, hearing a great deal about what's going on in rural America.

We have heard from farmers and business people, nurses and teachers, loggers and bankers, conservationists and grocery clerks. They have told us about everything from farm credit to acid rain, about the homeless and hungry, about Federal agencies, about folks who have been farmers for generations not wondering whether they can pass on the farm tradition to their sons and daughters, but wondering if they will make it through this year.

All through these hearings, I kept telling my fellow Senators that I wanted to give them the chance to come to Vermont, to catch a glimpse of her beauty, to listen to her people, and to understand her character. And I wanted to give my fellow Vermonters the chance to talk with them to share their concerns, their successes, and their needs.

So, I want to thank Secretary of Agriculture Richard Lyng and my fellow committee members, who have taken anywhere from 1 day to 3 days in coming up here to Vermont. I know how much we all try to get an extra 10 minutes on our schedule in our day, so I do appreciate that.

The responsibilities of the Senate Committee on Agriculture, Nutrition, and Forestry reach across the State and into our daily lives. Over $50 billion a year in Federal Government programs are within the committee's jurisdiction. We watch over our Nations' feeding programs, from food stamps for the poor, to hot lunches for our schoolchildren, to essential nutrition for pregnant women.

We are the stewards of millions of acres of national forests. Our programs help our dairy farmers here at home and provide food for peace to starving people overseas. The committee protects the public health from contaminated foods and our environment from dangerous chemicals. We manage the tools that can help rural America recover its economic vitality.

America is only a dozen years away from a next century. The decisions we make in our committee will determine how our children face the challenges of 21st century America. If we fail to protect our family farms, our health and our environment, the Vermont we love will be a vastly different place. If we fail to feed the needy at home and overseas, our world will be a vastly different place.

Today's panels cover four topics—rural economic revitalization, environmental protection, nutrition, and dairy farming. After listening to the witnesses, we will turn to our audience for questions and comments. Commissioner Ron Allbee will moderate that portion of our hearing. I should note that is something we have done, which is unique, as we have taken the committee around the country.

In Washington, when you testify, you have to submit testimony 48 hours in advance, and only a very small number of people get to testify.

What I have done as we go around the country holding field hearings, I allow, after the formal part of the hearing, other people to have a chance to speak from the floor, and their testimony becomes a part of the official record. They will be given copies of the transcript, and they will get a chance to make whatever changes they want.

What I would like to do at this point is stop talking, so that we can have more time to hear what our witnesses and our audience have to say. But, first, I want to yield to my distinguished colleague and good friend, Dick Lugar.

[The prepared statement of Senator Leahy follows:]

U.S. SENATOR PATRICK LEAHY

VERMONT

STATEMENT OF CHAIRMAN PATRICK LEAHY
UNITED STATES SENATE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

ST. MICHAEL'S COLLEGE
JULY 27, 1987

When I became Chairman of the U.S. Senate Committee on Agriculture, Nutrition and Forestry, I said we were going to do things a little differently. I said we were going to take the Committee out of Washington, out of the stuffy marble hearing rooms where the paid lobbyists prowl the corridors. So, over the last seven months the Committee has been on the road in rural America.

We've learned alot. And we've learned it first hand in auction pits, school auditoriums, diners and bowling alleys throughout the midwest and the south.

Farmers and businessmen, nurses and teachers, loggers and bankers, conservationists and grocery clerks have given us an earful about everything from farm credit to acid rain; about the homeless and the hungry; about federal agencies that don't help and about folks who have been farmers for generations wondering if they'll make it through this year.

All through these hearings, I kept telling my fellow Senators that I wanted to give them the chance to come to Vermont, to catch a glimpse of her beauty, to listen to her people, and to understand her character. And I wanted to give my fellow Vermonters the chance to share their concerns, their successes, and their needs.

So, I want to thank Secretary of Agriculture Richard Lyng and my fellow Committee members for taking a day off from the concerns of their offices and their states to listen to us today.

The responsibilities of the Senate Committee on Agriculture, Nutrition and Forestry reach across the state and into our daily lives. Over 50 billion dollars a year in federal government programs are within the Committee's jurisdiction. We watch over our nation's feeding programs, from food stamps for the poor, to hot lunches for our school children, to essential nutrition for pregnant women.

We are the stewards of millions of acres of national forests. Our programs help our dairy farmers here at home and provide food for peace to starving people overseas. The Committee protects the public health from contaminated foods and our environment from dangerous chemicals. And we manage the tools that can help rural America recover its economic vitality.

America is only a dozen years away from a new century. The decisions we make in our Committee will determine how our children face the challenges of 21st century America. If we fail to protect our family farms, our health and our environment, the Vermont we love will be a vastly different place. If we fail to feed the needy at home and overseas, our world will be a vastly different place.

Today's panels cover four topics -- rural economic revitalization, environmental protection, nutrition and dairy farming. After listening to the witnesses, we will turn to our audience for questions and comments. Commissioner Ron Allbee will moderate that portion of our hearing.

Now I am going to stop talking, so that we can have more time to hear what our witnesses and our audience have to say. That will be information well worth taking back to Washington -- I can assure you of that.

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STATEMENT OF HON. RICHARD G. LUGAR, A U.S. SENATOR FROM INDIANA

Senator LUGAR. Thank you, Mr. Chairman.

Let me just say on behalf of all the members of the committee how glad we are to you for the warm hospitality that you and Marcelle and your family and all Vermonters have shown to us. I would just say to all who are assembled here, this is a magnificent audience for this hearing, and who may be participants in the hearing by the time we are concluded.

The spirit on this committee is a good one. We are a bipartisan committee, working for the benefit of the people of this country. We have a bias toward the family farmers and retention of the lifestyle in which many of us have been beneficiaries, and also an outlook for consumers of food for each American who is concerned about nutrition, about safety, about the world trade aspects, and this year even about the Farm Credit System and how we are to maintain that situation.

Much of the good spirit and good will of the committee is attributed to the chairman. He is a good leader, and a fair leader. We have many, many disputes in our committee, but remarkable consensus, as I suspect you will observe today.

Now that does not come by chance. We are here today, in part because we are deeply interested in the problems of Vermont, and in a very large part, because of our affection for the chairman, in whom you've shown confidence in your votes and support in the past.

So, I wanted to make those opening comments, Mr. Chairman, on behalf of all of us, because we are delighted that you have drawn us here and the distinguished Secretary of Agriculture for whom we have a great affection, too, has joined us and had already made the first hour of our plane trip today a delightful one. We look forward to more caucusing on the way back.

The CHAIRMAN. Thank you very much.

We have a quorum to do business on the way back. Maybe with the Secretary onboard, we can fly out over the Atlantic and circle out there until we figure out our agenda for the rest of the day.

I know that Commissioner Allbee wanted to say something. I yield to him.

STATEMENT OF HON. RONALD ALLBEE, COMMISSIONER, VERMONT DEPARTMENT OF AGRICULTURE, MONTPELIER, VT

Commissioner ALLBEE. Mr. Chairman, Senators, Mr. Secretary, on behalf of the State of Vermont, I welcome you.

The Governor is at the National Governor's Association today, but she did want me to express to you her appreciation for taking the time to come to Vermont because we know your schedules are busy.

As you flew into Vermont either yesterday or today and looked down upon these lands, this water, Lake Champlain, you looked down on the land that Samuel de Champlain looked on in 1609 as he sailed to Quebec. You looked down on the land that has brought a great deal to agriculture in this country.

We brought you John Deere. We brought you Justin Morrill, the father of the land-grant system. We brought you George Aiken, who did so much for agriculture in this country.

The granite quarries of Vermont and the printing shops of this State and the halls of this university, this college, brought you your chairman of whom we are equally proud.

I know you will hear a great deal today about many issues. We think the people who will be testifying will be sincere, dedicated, and certainly honest. As they testify, we know they will voice some concerns to you.

There is a concern that a healthy Farm Credit System in the Northeast be maintained. There is a concern that the Farmers' Home Administration continue to provide available credit to our young people.

I know they will talk about dairy policy because there is a sense, gentlemen, Senators, Mr. Chairman, Mr. Secretary, that our farmers may be paying a penalty for the surplus in other areas of the country.

We know they will talk about environmental issues because we have a long heritage of protecting our environment in the State of Vermont.

They will discuss the topic of acid rain and its possible potential effect on the resources of this State, and its potential effect on maple syrup that we so longly and traditionally are proud of.

Finally, they will talk about the health, the ability to feed and house our people. I do want to point out we are a State of slightly over 500,000 people. We have a State budget of slightly over $500 million, which pales in comparison with anything you consider in Washington.

We need your assistance and we need your help, and we hope that you take what is offered today because we share the same goals, and that is a healthy environment, a healthy family, and a healthy family farm.

We hope you will take what we offer, what the people today offer, back to Washington and take our honest, sincere effort to give you advice and use it wisely, and we thank you for coming.

Thank you.

The CHAIRMAN. Thank you very much, Ron.

Mr. Secretary, I want you to know how welcome you are here in Vermont. This has been a particularly difficult time because we have, over the weekend, unexpectedly and tragically lost a good friend in Secretary Baldrige. I realize the further effort of time this meant, and I'm glad you could be here. I mention Secretary Baldridge out of respect and also note that this committee—and I think I can speak for every single member—is distressed over the loss.

About Secretary Lyng, we come from different parts of the country and from different parties. I have been one who has stated publicly many times my great respect for the Secretary.

We don't always agree, but there is one thing I do admire him for, Secretary Lyng has always been available to every member of this committee. He has always been very forthright and he has dealt openly and honestly with us.

I think the Secretary of Agriculture holds the most difficult job in the President's Cabinet. There are no easy solutions to agricul-

tural policy in this country. I think it is a mark of his own concern that he works so closely with this committee and I am very pleased that the President saw fit to ask you to take on this very difficult position. Your family might not be happy with the President for doing that, but I am, and, in particular, I welcome you to Vermont.

STATEMENT OF HON. RICHARD E. LYNG, SECRETARY OF AGRICULTURE, U.S. DEPARTMENT OF AGRICULTURE

Mr. LYNG. Thank you very much, Mr. Chairman and members of the committee.

Thank you, Mr. Chairman for those kind and generous remarks, and your condolences about the tragedy that has befallen us as a Nation in the loss of Secretary of Commerce Mat Baldrige. Of course he was a close personal friend of mine and we worked very well together. It's a great loss, not only personally, but to our Nation. We all feel badly about that.

I really appreciate this opportunity to come to Vermont and to participate in this field hearing. It's marvelous to come at this time from Washington, and it is certainly going to put me in a far better mood for having experienced it. I'm hoping that the same effect will take place with members of the committee and we will find that the beauty of Vermont and the weather make for a pleasant and profitable hearing.

There are a number of topics we could discuss today. In the interest of time, however, I shall focus my prepared remarks on the issues that seem to me to be of the greatest current interest to New England farmers—namely, international trade, the dairy program, and rural development.

To set the stage for this discussion, I am happy to report to the committee that the U.S. farm economy continues to improve. It's true, there are still some farmers, too many, who are undergoing financial stress. But net cash farm income, which set a record of $53 billion in 1986, is forecast to reach between $52 and $56 billion this year.

Domestic use of almost every major commodity is up, and we are once again competitive in world markets. In fact, both the volume and the value of our agricultural exports should rise for the first time in 7 years—with volume up 16 percent and value up 5 percent.

Farmland values are stabilizing—production expenses continue to decline—farm debt is declining—and farmers' net worth is on the rise after 6 straight years of decline.

U.S. PROPOSAL TO REFORM AGRICULTURAL TRADE

With that as a backdrop, let me turn to the proposal which the United States made earlier this month in Geneva to the members of GATT, the General Agreement on Tariffs and and Trade.

As the committee members know, the administration's proposal embraces the consensuses reached at the economic summit of the seven leading industrial democracies in Tokyo a year ago—the Multinational Trade Conference in Punta del Este, Uruguay, last September; the OECD—Organization for Economic Cooperation

and Development—ministerial meeting in May; and this year's economic summit in Venice last month.

In the simplest terms, we have proposed that the trading nations of the world join together in eliminating all direct and indirect subsidies that affect agricultural trade, and removing all import barriers. We have also proposed that all health and sanitary regulations be harmonized, based on scientifically verifiable needs, and that they not be used as trade restrictions. Further, we proposed that these subsidies and restrictions be phased out over 10 years.

Can Farmers Survive Without Supports?

In proposing such a major—and, I might add, long overdue—reform, we realized it was bound to raise many questions. The question first and foremost in everyone's mind—both here and abroad—seems to be, "how can farmers survive without Government supports?" Let me respond to that concern by first assuring this committee that we are not advocating pulling the rug out from under farmers—our own, or anyone else's. It's true, this proposal will involve adjustments in some segments of agriculture in every country. We believe the best way to help farmers through a transition period is by direct income supports. And, over the long run, we support the recommendation of OECD ministers that governments sever the link between income supports and farm production.

Our goal is to eliminate the Government meddling in agricultural production and marketing that is so entrenched and so pervasive that farmers cannot make their own decisions on what and how much to produce for the marketplace.

Our intent is to establish new, flexible rules for agricultural trade that will accommodate technological change without generating price-depressing surpluses—that will encourage farmers to pursue their comparative advantage and growth in all markets, instead of stifling innovation and productivity—and that will be equitable to producers, consumers, and taxpayers.

It is important to understand the impact of our proposal on developing countries, where 80 percent of the world's people live. By adopting trade policies that allow these people to expand their economies, we will stimulate tremendous demand for all kinds of farm products in the years ahead.

Further, these countries must be given the opportunity to export their products to developed nations so they can earn the currency they need to pay off their debts and achieve a reasonable level of prosperity.

The U.S. Timetable

Another question concerning many people is the timeframe for any such changes. We would like to see the agricultural working group in GATT come up with a workable plan for reforming its trade rules by the end of next year.

That does not mean, however, that the day after an agreement is reached all farmers around the world will have to operate in a completely new environment without any subsidies.

We have suggested a 10-year period to phase in the changes. But it may take 12 years, or some other number. The length of this adjustment period is one of the issues that also is negotiable.

What is more important is what might happen if the GATT nations fail to undertake major reform. To do nothing or to resort to protectionist measures is to invite a trade war. To fall victim to the lure of Band-Aid strategies like international price fixing or market sharing schemes will only prolong the agonies of costly programs and misused resources.

Instead, we must focus our vision on expanding agricultural trade opportunities and global economic growth that will carry us forward into the next century. That is the path that will lead American farmers toward long-term prosperity.

Dairy Program

On that note, let me now turn to the dairy program—which is working about as was expected. Milk prices received by farmers have been running above those of a year ago, even with the lower support price.

Milking production in June was down 1.5 percent from last year's level, and CCC purchases of dairy products are substantially below those of a year ago—partly, of course, because the CCC was without funds from May to mid-July.

As of July 1, only 144,000 cattle remained to be slaughtered or exported under the Dairy Termination Program, and red meat purchases are on schedule.

The key point to remember is that milk production and CCC purchases from here on will depend on the decisions made by dairy farmers who are not participating in the current program. My advice to them is simple; now is not the time to increase milk production.

Rural Development

Rural development is another high priority issue in the Department of Agriculture. Job creation, diversifying rural economies and improving the quality of life for all rural Americans are goals that we in the administration share with the members of this committee.

Since 1981, USDA has invested over $50.2 billion for safe housing, business development, clean water, telephone systems, and electricity for rural Americans. I have recently asked all the Assistant Secretaries and agency heads to look for additional ways that we can assist rural America.

They have developed a plan comprised of six integral parts involving technical assistance through rural enterprise teams, improved information and coordination, research and education, and business capital. And, Mr. Chairman, our proposal can be accomplished within the President's budget and the Gramm-Rudman-Hollings deficit reduction targets.

This plan is not intended to be "the ultimate answer." Rather, it is one more way to assist rural communities who are searching for expanded economic opportunities.

The overall direction and coordination of this plan will be provided by the Deputy Secretary, Peter Myers. That way, I can be certain it retains a central focus with my full backing and support. Further, as chairman of the working group on rural communities of the Economic Policy Cabinet Council, I am looking for additional ways to improve the overall Federal response to rural development.

Mr. Chairman, we stand ready to work with you and this committee to assist rural America to regain the level of prosperity that has been such an important part of our Nation's heritage.

That concludes my prepared remarks, Mr. Chairman. I will be happy to answer any questions which you and other members of the committee or those participating might wish to ask.

The CHAIRMAN. Thank you very much.

I would like to remind the audience that this hearing is no different than those conducted in the Senate hearing rooms in Washington. It's an official hearing of the Senate Agriculture Committee with one exception. We have arranged a time for people to speak from the floor and have their testimony become a part of the official record.

The rules are the same as they would be in Washington. The speakers will be allowed to give their statements without interruption. The Senators can ask questions, and subsequently, people will be given an opportunity to make statements. The requirements for order and decorum will be the same here as they would be in Washington, and I suspect my fellow Vermonters, who have a well-deserved reputation for decorum, realize that.

Mr. Secretary, in the past year the Federal cost of the dairy program has been cut in half, dramatically reduced, in the amount of dairy surplus held by the Federal Government. A lot of us are trying to improve that program. Senator Daschle has a bill to limit casein imports. But we have a different picture as we go across the country. Here in the Northeast, we can't produce enough milk to supply our needs. In the Southeast, and in Senator Harkin's area, it is much the same. Other parts of the country such as the Northwest and Wisconsin and Minnesota seem to be producing mostly surplus. Accordingly, our committee staff has undertaken the possibility of a regional dairy program.

How does that thought appeal to you?

Mr. LYNG. There is no question about the fact that you get some distortions in the price of the milk across various regions of the country. Under our current national system, the Minnesota/Wisconsin average price is the basis for the pricing in the Federal milk market ordered across the Nation, almost everywhere except my home State of California where they don't employ the Federal marketing system, but it tends to work out pretty much the same anyway.

There are class I differentials that have been applied over the years, prices above the Minnesota/Wisconsin average price, that are supposed to reflect the differences in the cost and the differences in supply in the various parts of country.

Recently, people from the Northeast have indicated that those differentials did not, to them, seem adequate. We have had the same complaints from the Southeast, and you recall in the 1985 farm bill, there actually were some increases in the differential,

particularly in the Southeast which still left the Northeast somewhat dissatisfied, as I understand it.

It's very complex, Mr. Chairman. Whenever you start changing these differentials, you find that there are large numbers of people who object. In the Department, we work with the National Commission on Dairy Policy that was established in the 1985 farm bill.

These things have been studied many, many times. We'll be glad to spend time with you or a delegation from the Northeast to go over and see if we can come up with some better ideas.

The CHAIRMAN. Thank you very much. I have a feeling from the audience we could put together a delegation for at least this part of the Northeast.

I should note for the audience, we try to be very fair when we go around the country, and when we decided on the Northeast hearing, we picked the State alphabetically, and that is why we are now in Vermont.

Senator LUGAR. Mr. Secretary, over the weekend, there has been a great deal of publicity about the Soviet Union and India bartering, and there is a great deal of trade between those two countries set up on that basis.

As you will recall, the 1985 farm bill provided for some barter projects in which the thought was that we might increase our exports with some countries that didn't have money presently, but did have something they might trade with us.

It does not appear to many of us that the Department has moved on this pilot barter project, and my question is, first, have you moved, and if you have not moved, why not?

Mr. LYNG. We have, I believe, had two barters with Jamaica in which we traded nonfat dry milk out of CCC inventories for bauxite, which is a material used in the production of aluminum and which is surplus in Jamaica.

We have attempted a number of others, but the fact is that barter in agricultural commodities is a changing market value on any given day.

Experience shows that the only way you can increase your sales is to lower the price in terms of what you get. Sometimes you can take a commodity and trim its value. That would be something like trading a $50,000 Chevrolet for a $50,000 Ford. And you obscure value.

Some of that is done and some of that was done in the case of barters with other countries. But we have found though that those are just schemes that result in dumping our commodities at prices below what we actually get for them on the cash market.

Barter has not been easy for us to do. We have been delighted to listen to anyone who has ideas for barter. We think the private sector is doing fairly well on barter, but for the Federal Government itself, it is an not easy thing to accomplishment.

The CHAIRMAN. Senator Pryor.

STATEMENT OF HON. DAVID H. PRYOR, A U.S. SENATOR FROM ARKANSAS

Senator PRYOR. Thank you, Mr. Chairman.

I have one question. First, just a statement as to why I'm here today. One, Chairman Leahy asked me to come; two, Chairman Leahy insisted that I come; three, I was afraid not to show up.

I am also paying for another reason. I want to thank Senator Leahy and the Senate Agriculture Committee for the great support that he has given to us in our part of the country. We have different products and different crops, different commodities, but our problems are the same, and that is that net farm income must improve if rural America is to survive. We think that rural Americans are the fabric that holds the character and the nature and the soul of this country together. So I came to express the thanks of thousands and thousands of farmers in our State and our part of the country to Chairman Leahy for his leadership, his support, and it is a pleasure today to be in Vermont for the first time.

Mr. Secretary, when you announced recently at GATT that we were going to phase out in 10 years all support programs, I'm wondering and I'm very curious, I have not seen it written, but I wonder what your assessment of Europe and Japanese reaction was to this proposal by the United States?

Mr. LYNG. Senator, the Japanese took immediate exception on the basis that they need to be self-sufficient because they are a small island with a large number of people and have a number of commodities that they do not want to see this happen.

They are highly protective of their agriculture. They do not allow us for example, to ship a pound of rice, as you are well aware, into that country. They have tight restrictions on beef and citrus and a number of other commodities. At the same time, they have a very huge, favorable trade balance, about $60 billion that exists with the United States. So they feel threatened by our agriculture proposal, but they have agreed to put all their programs on the table for negotiations.

The European reaction is quite different. Their formal reaction, following the tabling of our proposal on the table, was one of general agreement and support. But their informal reaction, in a conference I attended last weekend in Copenhagen by the Commissioner of Agriculture, was one of criticism of our proposal as going too far, too fast.

I, in a public debate with the representatives of the European Commission said that we would prefer them to put forward their own proposal rather than criticize our proposal, and if they think we are going too far, too fast, to define how far they would go and how fast they would go. And they agreed to do that, suggesting that they will be prepared to do that in October.

With regard to negotiation, the United States is not making a demand. We are opening the negotiations with the statement of our ideas, and of course they will be controversial, and it may be we'll be making many compromises before this thing is settled. But I would have to say, on balance, that the reception around the world is quite good, at least as good as we might have hoped for. In fact, in my view, better than we might have hoped for.

Senator PRYOR. Thank you, Mr. Secretary.

The CHAIRMAN. Thank you, Senator Pryor. Senator Cochran.

STATEMENT OF HON. THAD COCHRAN, A U.S. SENATOR FROM MISSISSIPPI

Senator COCHRAN. Thank you. First of all, let me express my appreciation for your coming down to Mississippi earlier this year and learning more about some of the activities that we have going on there in aquaculture. We had the Chairman entertained at a lunch where he had some catfish grown on farm ponds there.

We have 92,000 acres of land underwater in Mississippi right now in the aquaculture commercial enterprise employing over 5,000 people, to give you an indication of something that is innovative and an alternative to land use. This is one of the new success stories for Southern agriculture, and the Chairman now is an expert on it.

The CHAIRMAN. I might interject a personal note. My sister came down here with me for this hearing. It was a good thing, because she finally made me stop eating, and explained to me that I have to lose a couple pounds.

Senator COCHRAN. It's good to be back in Vermont again. I want to congratulate you for attracting this crowd of Senators and government officials. New England is important to all of us, and I think our presence indicates not only our respect for you, but our willingness to be here and try to help address some of the problems that exist in the agriculture area. It's a great excuse, too, to get out of Washington. Thank you for giving us that opportunity.

Mr. Secretary, in your remarks and your opening statement, there was not much said about the Farm Credit System situation, and I know you are very involved with the Agriculture Committee right now in trying to work out an answer to that problem. The Farm Credit System is under a great deal of pressure right now. In many districts and areas, there is rumor of collapse, insolvency. In the Jackson, Mississippi district of the Farm Credit System there is a rumor that the Federal land bank is going under within a period of 3 or 4 months unless there is a Federal Government response to the problem.

What is your assessment right now of what the Congress can do or should do with the administration in an effort to help ensure the continued health and viability of the Farm Credit System?

Mr. LYNG. Let me say that I didn't omit it because it wasn't important, but there just wasn't an opportunity to cover all the issues.

Surely the Farm Credit System problems are one of the most difficult facing the Nation, and particularly, the Congress. It has been very difficult, as you well know, Senator, to achieve a widely accepted consensus as to what is the best solution. There is a general consensus that something needs to be done. The administration agrees with that view. We recognize the need to do something to help the Farm Credit System.

It is my understanding within the next 10 days or so that the House Agriculture Committee is going to have a markup session and try to come up with legislation. Senator Lugar and others have proposed some legislation on the Senate side which reflect the views of a number of farm organizations and commodity organizations.

The administration has been a bit reluctant to come up with a specific proposal of our own. We have felt we can perhaps be more helpful in supporting those parts that seem to be moving toward a consensus. But we recognize there is a critical situation, one that cries for help, and we are going to work with the Congress as vigorously as we can to see that we do get a solution before the end of this session.

The CHAIRMAN. Thank you very much, Thad.

Senator Heflin of Alabama. We welcome you here, sir, but we especially welcome Mrs. Heflin.

STATEMENT OF HON. HOWELL HEFLIN, A U.S. SENATOR FROM ALABAMA

Senator HEFLIN. Well, Mr. Chairman, I'm delighted to be up here in Yankeeland. Yes, sir, you all, this weather is nice here. We got the equator weather in Alabama right now. But I am delighted to be here.

This is a God-blessed Yankeeland. You are blessed in so many ways. Blessed with good weather in summertime, and you are blessed with having the Chief Armtwister of the United States Senate to represent you. He about twisted my left arm out to come up here. I had to leave the Iran-contra hearings and come up here, my only day off, and I had papers stacked up on my desk for months that I have been needing to start shuffling, but he twisted my arm.

But he is not just known for twisting arms to come to Vermont, but he is the Chief Armtwister when it comes to the dairy program.

But Senator Leahy has convinced me all the time that the wisdom is to vote whatever way he votes. So I follow his lead, and we hope that is doing the right thing. But he represents you well. In fact, all of these people here, they all got their arm twisted. When the dairy bill comes up, he will find all of us. But he is a great Senator, and he represents you in fine manner, and I'm delighted to be up here in his home State on this occasion.

Mr. Secretary, I'd like to ask you about the Whole Herd Buyout Program. Do you consider that it has been successful? And the second question, in retrospect, would there have been changes that you would have liked to have seen pertaining to the provisions of it now that it is fairly well along?

Mr. LYNG. I think, Senator, that the Whole Herd Dairy Buyout Program has done what it was designed to do. It was designed to reduce the herd about 10 percent, from 11 million cows to about 10 million cows.

And as the Chairman pointed out in his opening remarks, it has had the effect of bringing surpluses very much more under control, and it has, on balance, done what it was designed to do.

If there is anything wrong with it, it is that it has cost a lot of money. It has cost over $2 billion of Federal funds, one-third of the termination program costs coming from dairy farmers themselves.

There was a massive meat purchase program added to keep the meat prices from being devastated because of the additional meat going into the market. That has also been an expensive program.

I guess if I were to suggest a modification, I would think it would be that it was too massive, had too many adverse effects upon other markets, the beef and pork and poultry markets. Even though we spent a lot of money to avoid that, early on, we had some problems with that, if you recall.

Second, I think that there is no way that you can keep people out of business for a long period with this kind of a program. Those technological improvements that are continuing to take place resulting in higher-yielding cows and more efficient dairies are going to defeat the purpose of the Whole Herd Buyout Program over the long term. So it was a shot in the arm, it will help, but I don't think it's the solution to the dairy problem.

Senator HEFLIN. Thank you.

The CHAIRMAN. Thank you very much, Senator Heflin for being here. I appreciate the fact that everybody has taken one day that they knew they had, a window in their schedule, and came up here.

Senator Wyche Fowler of Georgia came up here early over the weekend. He has had a chance to travel around Vermont, see the diversity of our rural State, even came to—I hope nobody feels I'm taking sides here—came to my favorite farm—which is not a dairy farm—last night for dinner in Middlesex, Vermont. Senator Fowler, we welcome you here.

STATEMENT OF HON. WYCHE FOWLER, JR., A U.S. SENATOR FROM GEORGIA

Senator FOWLER. Thank you, Senator. I'm delighted to be back in Vermont. I want to add you can tell a lot about the quality and judgment of the people and people's States by the character of the people that you choose to represent Vermont in Washington, and certainly, in Marcelle and Patrick Leahy, you have excellent representatives who reflect the good judgment and citizenship of the people of Vermont.

Mr. Secretary, I'd like to follow up for a moment, I know you answered it, but to follow up on Mr. Lugar's questions, to put it in sort of nontechnical language. Why doesn't the barter system work, especially when you are dealing with the Japanese and the Koreans and Taiwanese? It seems to a lot of people in Georgia, possibly in Vermont, that the barter system, I guess, is as old as the Orient. They certainly understand it. Why cannot we in agriculture, but also in all of our departments of the Government, in our efforts to reduce these incredible trade deficits that brought us to be a debtor nation that we hear so much about, why cannot we find a way, led by agriculture and our surpluses, to require that if the Japanese, for instance, are going to sell $50 billion worth of Japanese goods and services and products in the United States of America, that they are going to buy $50 billion in American goods and services, agriculture products in Japan?

It seems to me we ought to be smart enough to work out that kind of barter system, so that at the end of trade year, the books would balance and then the result of it would be a long-time trade partner where the rules were equal on all sides.

Any reflections on that?

Mr. LYNG. Senator, you raised a number of points, but you are touching on the concept of reciprocal trade on a bilateral basis. That matter, as you know, has come up in both the House and the Senate in the debates over the current trade bill. The requirement that any single country should have a balanced, reciprocal trade with the United States is something the administration, and I think a whole lot of others, would oppose on a bilateral basis because there is so much that can be gained by multilateral negotiations.

What we in the United States would like to have would be at least a positive balance in our trade, but not necessarily with every country in which we do business. For example, we have a very favorable trade balance with Australia. The Australians have a favorable trade balance with Japan, and the Japanese have a favorable trade balance with us. That is not a bad thing.

Senator FOWLER. But you said the Japanese agreed to put everything on the table, yet they won't take any tobacco into Japan, yet there is that demand for tobacco in Japan. Why couldn't we follow up on the barter concept? I know the reasons for the multilateral program, but when you are hurting so much on a bilateral basis, it seems like it is time to do something.

Mr. LYNG. We do export a lot of tobacco to Japan. Our problem with Japan has been more with manufactured products like cigarettes. They import tobacco, but they won't import products from our manufacturers of tobacco.

In agriculture we have a very favorable trade balance with Japan. They are the largest single customer for our agriculture products. It is not as much as we'd like to have, and they do have these barriers. So we are very hesitant to, in agriculture, threaten them too extensively.

When we talk about barter, we really are talking about something that is different than trade. That is where you actually trade a certain quantity of this commodity for a certain quantity of another commodity. Most of our trade is done by the private sector. We have tried to keep, over the years, the Government out of barter. To make a barter attractive, you have to somehow lower that price or increase the quantity of that commodity that you are going to barter.

We are doing some of that, actually, in our Export Enhancement Program by announcing that we will pay a "bonus" in the transaction. We are paying that on the commodities to exporters of wheat, for example, to Mediterranean countries. We are taking wheat from the Commodity Credit Corporation and actually even doing it in your home State of Georgia with the poultry producers. We are giving them certificates which allow them to export competitively on poultry. But it has not been successful under the terms of barter that I think was intended by the Congress when they put that in the 1985 farm bill.

Senator FOWLER. Thanks.

The CHAIRMAN. Thank you very much.

One of the things that I have done, as we take the Senate Agriculture Committee around the country, is ask the Senators before the hearing to stay in farmers' homes in the States we have visited. Marcelle and I have done the same thing, because during the

conversation you have around the kitchen table the night before, you hear almost as much as you will in the hearing, and you hear it in a different way and in a substantive way.

Senator Conrad, who I'm going to call on next, stayed at the home of Larry and Donna Holmes last night. Marcelle and I stayed, along with Senator Daschle, at the home of Edward and Polly Whitcomb, all of whom were very good to open up their homes to us. We kept them up later than we really should have, because they had to get up and do the milking in the morning. But it was very valuable. I yield to Senator Conrad.

STATEMENT OF HON. KENT CONRAD, A U.S. SENATOR FROM NORTH DAKOTA

Senator CONRAD. Thank you, Senator Leahy.

It was valuable. We spent much of the evening right at the kitchen table in the home of the Holmes talking about the problems that are being faced by people in the industry in Vermont and talking about Farm Credit System programs. I certainly understand much better than I did the problems confronting the people of the Northeastern part of the country, and that is a valuable education for me.

I wanted to publicly thank the Chairman for sharing with us in North Dakota because our Chairman, your Senator came to North Dakota, brought the Agriculture Committee to North Dakota. This was the first time in the history of the U.S. Senate that the Agriculture Committee came to my State, which is one of the most rural in the country, and I think that says something very special about your Senator, our Chairman.

So I wanted you to know that the people in the rest of the farm country around the United States very much appreciate the attitude he has had, his willingness to come out. He spent a night with a North Dakota farm family, and I think he found that valuable.

Mr. Secretary, in your opening remarks you talked about some of the favorable news. As you know, there is another side to that story. I come from a State that has been extremely hard hit. And we talk about the volume and value of our exports being up that is from very low levels, and I think it is important we make the point that from a peak we are down some 40 percent in export value.

In my State, farm income, adjusted for inflation, is the lowest since the 1930's. The farm debt has skyrocketed, land values have collapsed, and we are faced with perhaps the most serious situation we have faced in 50 years in my State. And now we have had an additional problem present itself, and that is the loan rates established by the USDA.

As you know, loan rates nationally were predicted to go down 5 percent this year, but instead in a year have gone down 9 percent or very close to that. And I have just learned that of the 5 days of price sampling that were used to determine these reductions, on 2 of those 5 days, the ports that we are dependent upon were closed. Of course that has a dramatic adverse effect on price. I am wondering if you have had a chance to look into that, and what is your reaction to the apparent problem of extending the loan rates?

Mr. LYNG. Well, as you can imagine, when you realign the loan rates on a county basis throughout the entire country, you are going to hear from those areas where people felt that those alignments were to their disadvantage. So we have announced that we will take another look at those whenever people believe we are in error.

What we tried to accomplish here was to set the loan rates at about the proper differential from the major market where that grain moves.

As a matter of fact, we didn't try to make the correction all in 1 year because we probably could be criticized for allowing for some major alignments. So we have provided for a phase in of these loan rates overtime. But we'll review them and, if it is in fact established that there is a loan value that does not accurately reflect the market situation, those can still be modified.

Senator CONRAD. We would very much appreciate the review of this situation because we think these technical factors of the ports being closed had a dramatic effect on what was done in our part of the country. We would appreciate your review of that.

Mr. LYNG. We'll be pleased to do that.

The CHAIRMAN. Thank you very much.

Another Senator, who I had mentioned before stayed with a farm family last night was Tom Daschle. Before anyone does take umbrage, in my making a passing reference to being "my favorite farm," I'm referring to the Leahy's very much part-time farm in Middlesex, Vermont.

Mr. Secretary, I told you, unlike the dairy farmers of our State, who certainly have to be among the hardest-working farmers anywhere in the country, I have a small tree farm which allows me every few months to go out and say, "Yep, they are still growing," and I do not have to milk the cows everyday.

A good friend of mine, Commissioner Allbee and I spent a night at Bob Morgan's farm—I see Bob is here—and a couple years ago we got up around 4:30 a.m. to go out with Bob and help with the milking. I wanted to demonstrate my prowess as a member of the Senate Agriculture Committee and we brought the herd in across the field and across the road and into the barn. Bob is standing in the milk barn, impatiently looking at his watch, wondering why it was taking so long. He said, "Well, Pat, how did you do?" I said kind of flippantly, "Well, not too bad. Only lost a couple on the way over." He nodded his head and said, "Yep. Keep you around here for a week or so, I'd be out of farming altogether."

I spent the early part of the evening over in Middlesex and Tom, I'm glad you were there.

STATEMENT OF HON. THOMAS A. DASCHLE, A U.S. SENATOR FROM SOUTH DAKOTA

Senator DASCHLE. Thank you, Mr. Chairman.

I want to follow up with all of those who commended Vermont for sending the likes of a Pat Leahy to Washington, not only to represent you, but represent all of agriculture.

Kent Conrad of North Dakota mentioned that it was the first time that the committee has ever come to North Dakota, saying

that it says a lot about agriculture. I think it says a lot about North Dakota myself.

The CHAIRMAN. I have to fly back on the airplane with both of these guys afterward.

Senator DASCHLE. But I didn't realize until last night what an innovator in agriculture our Chairman is; in fact, an innovator in livestock marketing. I came here to see the cow stickers. I thought as soon as I got off the plane I'd see cow stickers in all the pastures, but I haven't seen them yet, but I intend to. Those blue and white stickers on cows that were so prominent last fall, I'm sure will be around.

I must say that I emphasize again the importance of a leader like Pat Leahy. We are going through a very difficult time in agriculture. At a time in which we are experiencing the difficulties that we are, it's easy to become partisan, it is easy to become very devisive, it is easy to lay blame. But you need a moderating influence, someone who can take the likes of a Kent Conrad and a Tom Daschle and make them part of the team that can bring together the forces around the country that can make the most quality solution, and he does this with real panache.

I would like to bring further emphasis to something else that Kent Conrad said about loan rates, Mr. Secretary. We have a law that requires that those loan rates not be reduced any more than 5 percent, and as in North Dakota, in South Dakota those rates have now been reduced by 9 percent, which is a very serious problem, given the prices that we are now receiving for wheat and corn. So I'm pleased to hear that you are reconsidering or at least rechecking those figures as you calculate the loan rates.

I would like to ask a question, however, in regard to the milk production figures that you cite in your testimony that were down about 1.5 percent from last year, which is very encouraging, I think, as we consider prices around the country. But at the same time, we have seen an actual increase in the amount of imported casein last year, and I'd like to ask, as you consider our efforts in this country to continue to reduce the domestic production of milk, what the administration views as the long-term strategy for dealing with the flood gates, open flood gates, I might say, of casein coming into this country?

Mr. LYNG. We have never felt, frankly, that the amount of casein that was being used as a substitute for nonfat dry milk was as great as the dairy industry proponents or some legislative protectionism against casein have indicated.

Most of the casein that comes into the United States comes from New Zealand. It is not subsidized and it's a relatively small amount. There are casein uses other than that as a dairy substitute, so that when you take a look at the total amount of casein, you have to take a look at where that is being used.

The International Trade Commission has reviewed casein on more than one occasion, if I recall correctly, and indicated it was not having a materially adverse effect upon the dairy industry.

If the correction comes from establishing a barrier of import on casein to the United States, that requires action by the Congress. It has been taken up by Congress on a number of occasions. This administration has always opposed it, but I must say the Congress

has not always paid a lot of attention to what the administration's position is on matters of this kind. In this case, the proponents were unable to get favorable action in the Congress.

The CHAIRMAN. Thank you very much.

Senator Breaux.

STATEMENT OF HON. JOHN B. BREAUX, A U.S. SENATOR FROM LOUISIANA

Senator BREAUX. I want to thank you very much, Mr. Chairman. I join my colleagues in saying how delighted I am to be in Vermont.

I think probably a couple hundred of years ago my French ancestors were on their way from Nova Scotia, finding their way down to Louisiana, and probably stopped off for awhile in Vermont. I don't know if you have any Breauxs in Vermont, but I'm sure if they stayed here any length of time, I'm sure you probably do.

Thad Cochran from Mississippi, David Pryor from Arkansas, and I were anxious to come up and look at all your rice fields and see how the rice was coming. We haven't seen too much of that.

I'm the newest member on the Agriculture Committee. I served in the House of Representatives in Congress for 14 years. I note when I was trying to get on the committee, I talked to Pat Leahy about becoming a member of the Senate Agriculture Committee, he said, "Do you know anything about Vermont?" and I said, "No, not really." And he said, "Would you like to know something about Vermont?" And I said, "I guess so." He said, "Would you like to be on the Agriculture Committee?" So I'm delighted to be in Vermont.

He is a true salesman for this State. He spent 30 minutes on the floor Friday afternoon—and this is the absolute truth—explaining to the Senate majority leader how great Vermont was, and the mountains and the people and the industry, and ended up telling Bob Byrd that the committee was coming to Vermont whether we adjourned in Washington or not. So he is a heck of a salesman.

I would say, Mr. Secretary, that I served in the Congress for 14 years, and I used to represent a congressional district that had hundreds of dairy farmers. Today there are not many of them left. Many have gone out of business in that district.

I guess my question would be if you can address the concept of how the Department feels with regard to Government programs.

There are a lot of people that feel that with regard to Government support that the big guys are getting bigger and the little guys are getting out, and that there is an awful lot of imbalance in the way programs are working.

You spoke about trying to get us out of support programs as a country with regard to agriculture, and I was just wondering if you could maybe address, from a philosophical standpoint, as to how you feel about that? An awful lot of people feel in order to qualify for a lower interest rate loan program, you have to basically show you are in good shape on your old loan at the higher interest rate. If you had that, you wouldn't need assistance.

Could you comment on that, how the Department comes down on small operators as opposed to large farms?

Mr. LYNG. Well, Senator Breaux, you have asked a question that I could probably spend 2 or 3 hours answering. I will spare the committee and the audience that.

But there are a number of factors working together on agriculture for a long time which have had the effect of making it more and more difficult for small farmers to stay in business. Farm programs themselves have had the effect, in my view, of encouraging expansion of the largest and most efficient farmers, and I could spend a lot of time explaining why that is. Many people disagree on that.

In the dairy industry the factor that probably has had the largest single effect is the technology advances in the production of milk. It's not been too many years ago that we had an average production of milk per cow of around 6,000 pounds. The average production today is somewhere in the area of 13,000 pounds per cow per year. But we have many, many herds, and I'm sure we have some in Vermont, that have an average production of over 20,000 pounds per cow. In my home State of California, we have a few herds that are actually approaching 30,000 pounds per cow per year.

We are right on the edge of a breakthrough of a dairy growth hormone being developed at Cornell University which will increase production per cow another 15 or perhaps as much as 30 percent. So where we are today is 10 million cows produce enough that required 12 or 13 million cows to produce just a very few years ago. But when this new hormone goes into effect, perhaps as soon 2 or 3 years from now, we can reduce that number of cows from 10 million to perhaps 7 or 8 million, and then the question becomes who continues to milk those, or can you expand the consumption of milk enough to offset that?

We have never been able to dramatically expand the consumption, particularly of dairy products. We have had an expansion of consumption in the last 3 years, and that has been a turnaround that has been most welcome, but it is unlikely we'll get enough increase to offset the increase in production.

So you can count on the fact that we will have better cows producing more milk and the market will not absorb all of that production, so that means there won't be as many cows producing and probably not as many dairy farms.

The CHAIRMAN. Thank you very much.

When I look at the dairy growth hormone, I can see a particular situation where farmers could get a decent return for their work, milk less cows, actually have more time for themselves. Now our concern is in making ends meet. It is almost imperative for Vermont farmers to milk more cows, work that much harder, in order to meet their needs. Of course, we have only scratched on the surface.

We have in the audience State Senator, Francis Sargeant, and Representative Bob Starr, the chairman of the Senate and House Agriculture Committee, the people I go to when I want to get an idea of how the Vermont legislature is working on these issues.

Another new member of the Senate Agriculture Committee is Senator Bond from Missouri, the first person in his State in quite some time to be on the Senate Agriculture Committee.

I was delighted at the amount of agriculture there is in Missouri and the amount of innovation that is going on there. Senator Bond has a well-deserved reputation as former Governor of that State which preceded him to the Senate. I'm delighted, as I told you before in Washington, to have you as a member of the committee and to have you here.

STATEMENT OF HON. CHRISTOPHER S. "KIT" BOND, A U.S. SENATOR FROM MISSOURI

Seantor BOND. Thank you very much, Mr. Chairman. I certainly appreciate the hospitality you are showing me and also the kind words.

Moving from being the Governor to being a freshman Senator, I'm still being stopped by the Capitol Security and asked to show my identification to prove I'm a Senate staffer, so when you extended the kind invitation, I was delighted to come. I was just happy to be invited to go anyplace, and I certainly am honored to be in this distinguished gathering.

In his explanation of barter, I would express to the Secretary that I grew up in small town in central Missouri. I always took great pride in the fact my father was the only man in town who had a $10,000 horse. And the way I knew it was a $10,000 horse, he traded it for two $5,000 hunting dogs. Quite a badge of ownership that I had at the time.

Mr. Secretary, we spoke earlier about the casein, and one of the provisions of title I of the 1985 farm bill required that efforts be made to stimulate the production of casein. What's been the experience? Has it worked? And if so, why, or if not, why not?

Mr. LYNG. We were required, as I recall, to provide certain quantities of nonfat dry milk, to make it available for conversion to casein.

I cannot relate the actual amounts provided thus far, but we did have at least one firm take some of that product. I will be glad to submit that to the committee.

[The material follows:]

Under the casein conversion program, and from April 4, 1986, through April 30, 1987, Commodity Credit Corporation (CCC) offered to sell under each of 5 invitations, about 1 million pounds of its surplus nonfat dry milk (NDM). The invitations were open about 8 of the 13 months of that period, and CCC offered about 4 million pounds of NDM located throughout the United States. CCC entererd into 3 contracts:

1. 285,298 pounds were converted.
2. A 99,990 pound contract was defaulted. The contractor paid CCC the unrestricted use price for the NDM (110 percent of the CCC purchase price in effect on date of contract).
3. Another contractor considered defaulting on 79,926 pounds. However, his coversion date has been extended about 6½ months to January 1988.

The CHAIRMAN. Thank you. We will keep the record of this hearing open for a week, anyway, for any followup questions that anybody does want to submit.

Chris, do you have any questions?

Senator BOND. That is fine. Thanks.

[The publication, "Local Leadership and Rural Development: Implications for Research and Extension" from a conference on local

leadership and rural development held at Colonial Williamsburg, Virginia, April 15, 1984, submitted by Senator Bond, is retained in the committee file.]

The CHAIRMAN. Because of the hour, I'm going to suggest everybody stand and stretch for about a minute. We are going on to our next panel which I will introduce.

Mr. Secretary, I'd like to invite you to come up and join us. I have found it to be a very informative beginning. If we might stand and stretch, I know I'd be more comfortable.

[The Senate Committee on Agriculture was temporarily in recess at 10:45 a.m. and recommenced at 11:00 a.m.]

The CHAIRMAN. I might note what we will do on the next panel.

We have a red light/green light which indicates to our witnesses when their time of testifying is up. We are going to try to keep to the time limit.

Senator Lugar and I will question the panel. We have discussed among the Senators some of the questions that should be asked. Obviously, any Senator can pop in with a question, but I think we'll be questioning most of the panels.

The reason that we are doing this is to keep the window open at the end, which I mentioned is the one thing that really sets this hearing apart, other than the location from the Washington area. The window is going to allow different people to step up and be on the record with their testimony. That is the part Commissioner Allbee will handle.

In our first group we have Mrs. Nancy Thomas, a dairy farmer and member of the Cabot Co-op of Washington County, Vermont. My wife and I have gotten to know her over the years and we have had talks with Nancy about the particular problems of dairy farmers.

Next to her is another good friend, Jack Starr, from Troy, Vermont, who is a dairy farmer and a member of the Rural Dairy Co-op. Mr. Starr came and met with Senator Tom Harkin and me last year and then came down again 2 weeks ago. We spent about an hour in the Senate Agriculture Committee room in Washington, going over his views.

Next to him is Claude Bourbeau, who has also recently met with me. I realized that when I looked at my desk on Friday, I had a photograph of that meeting. Claude, like the proverbial check, it is in the mail.

He is on the board of the St. Albans Co-op and also serves on the board of the Champlain Valley Credit Bank.

Next to him is Mr. Howard Howrigan, a dairy farmer and member of the Dairy Co-op of the St. Albans of Franklin County.

I have visited his farm and family and spent a great deal of time with him over the years, even back in the days when I was a State's attorney. I should emphasize I was trying to learn about dairy matters and not in my prosecutorial capacity as a State's attorney.

We will start with Ms. Thomas.

STATEMENT OF NANCY THOMAS, DAIRY FARMER, MONTPELIER, VT

Ms. THOMAS. Thank you. I'd like to begin by thanking Senator Leahy for taking the initiative to move these hearings on agriculture and rural concerns out of Washington. He has already spent considerable time listening to the concerns of farmers here in Vermont, and I appreciate his expressing that concern by bringing the hearing here.

First I'd like to share with you about our family farm operation and the prospective from which I see agriculture. We do have some very small farms still successful here in Vermont.

As you hear from others testifying, there are wide variations in farmers' backgrounds and the way their operations run, though many of our needs may be the same.

Neither my husband, Rich, nor I grew up on farms, but 10 years ago we became involved in dairy farming and have lived and worked continuously on farms since then. Rich worked as a herdsman for 6 years, while I worked part-time in special education, aside from helping my husband. Four years ago—at that time with our two sons then 4 months old and 3 years old—we began our own family operation. Farming is a very capital-intensive business. We had a lot of enthusiasm, but only a small amount of capital to bring to the operation. So we had to develop a business plan that would make the most of our dairy skills and our rather meager financial resources. For us, that meant beginning by renting a small farm with about 30 acres of hilly, open land which we use primarily for pasture. Our major equipment consists of a used tractor and manure spreader. With a limited resource loan from the Farmers Home Administration, we purchased 36 registered Jersey dairy cows. For now, we are building equity in our cows, rather than in equipment or real estate.

Our emphasis is on investing our time in the management of our herd and getting from them, in return, exceptionally high production. We purchase all the barn feed for our cows, including hay, which we get both locally and by tractor-trailer loads from Canada. This means high operating costs, but very low capital investment in equipment compared with more typical Vermont farms.

For the 6 warm months of the year, May through October—and it's really winter here the rest of the time—we get a large percentage of our feed from our pastures. We use an intensive rotational pasture system, where the cows are moved daily to a fresh paddock. The result is a high quality and low cost feed from small capital investment in fencing.

Our income comes from a variety of sources. First and foremost is the income we derive from the sale of our milk to the Cabot Farmers Cooperative Creamery. That has been an excellent market since we earn additional money from the protein differential and quality premiums for our high solids, high-quality milk. We have income from the sale of registered Jersey stock. We also have income from our portion of the profits from Cabot Co-op. Cabot is a very innovative company, making many steps forward in production and marketing of value-added products. In the long run, a

co-op which earns a greater share of the middleman's profits will enhance its members profitability as well.

A fourth source of income is my part-time position in special education to which I returned 2 years ago. The position is professionally both challenging and fulfilling. It is a way of gradually helping to capitalize our farm business and to add to our standard of living. It is also a way of hedging against the inevitably cyclical nature of farm income.

As a farm business plan, this combination of things has worked well for us. We have been able to achieve very positive results from our herd. Our production per cow in 1986 was fourth in the State for Jerseys and seventh in the Nation for Jersey operations of our herd size.

For our family, it has enabled my husband and I to work together and have our children, now ages 4 and 7, be a part of that effort. While I'm off the farm, like today, Rich cares for both the children and cows. Challenging, but well worth the rewards. Despite the hard work and long hours, we have found farming a very sustaining way of life.

So what do we, as young farmers, beginning to get ourselves established, look for in Federal dairy policy?

First and foremost is the need for a stable and predictable price. As with any business, we need to look down the road 1 year, 5 years and more to plan where we are going. Since we have been in business on our own, there has been the Diversion Program with assessments, the Whole Herd Buyout Program with assessments for those staying in the business, and there have been price cuts. It's hard to plan.

Our electricity went out last week for 3 hours after lightning hit a nearby pole. I wondered when we would be able to buy that $2,000 tractor driven backup generator. Without a more predictable milk pricing system, I don't know.

The price and supply management system should reflect the ability of a region to sell its products. Whether it be through assessments, price cuts, or mandatory production cuts, the system should not penalize those of us with more market than milk for surplus production in other areas.

We have all, dairy farmers across the Nation, paid the price for the National surplus. We have paid our dues, and though painful, the programs have been successful in getting production in line with commercial demand. The milk market here in the Northeast is tight.

However, if a new national surplus begins to develop because of production above commercial demands in certain regions, please don't ask all regions to pay the price again with production cuts, price cuts, or additional assessments. Such an approach would further decrease dairy farms here in Vermont, the most dairy-intensive State in the Nation. And it would further damage other related areas of the Vermont economy, as dairy farming generates considerable off-farm business, and is an important focus of Vermont's tourist industry.

Please look toward a policy that addresses the source of any future surplus. Second, as young farmers, we need affordable and reliable financing and unrestricted access to the industry. This in-

dustry, like any other, will stagnate if not renewed with the next generation. That is both sons and daughters of existing farmers buying into the home farm, and people like ourselves, who have entered without having family farm equity. While successful dairying requires a high level of management ability, it is also a capital-intensive business. As young farmers, we need to be able to borrow at reasonable interest rates in order to gradually build equity—in cows, equipment, and property. Our hope of someday owning our own farm will be realized only if affordable financing is available.

Once again, there is a need for a regional approach in solving the problems of the Farm Credit System. Please don't penalize, and therefore make unhealthy, the Farm Credit System of the Northeast that is healthy.

Third, we need to continue the development of a strong market for dairy products through research and promotion at the national level. The national assessment has worked. Commercial use of dairy product is up 13.9 percent since 1983. Advertising does pay. While a small cooperative such as ours, with 500 members, cannot make a significant investment in basic research and product development, the National Dairy Board does.

Finally, I'd like to address the 50 cent price support cut predicted for January 1, 1988. The need for the price cut is based on USDA projections of Government removals. I understand that the projections have gone down again, the second time that the estimates have been decreased by Charles Shaw from the USDA. The price cut comes right off the bottom line of farm income and does make a significant difference. It makes a difference to the Nation's economy, the farm economy and related businesses, and in the Vermont community.

For the owner of a small farm, it would mean a $2,500 decrease in milk income. That may not sound like much in relationship to the Federal budget concerns you have, but when it is over 15 percent of our family living expenses, it is a significant amount to us. I would like to ask you then to please reconsider that projected cut for January 1, 1988.

I wish you well in your deliberations of our next farm policy and thank you for the opportunity to speak before you today.

[The prepared statement of Ms. Thomas follows:]

STATEMENT OF NANCY THOMAS, ST. MICHAEL'S COLLEGE
WINOOSKI, VERMONT

I'd like to begin by thanking Senator Leahy for taking the initiative to move these hearings on agriculture and rural concerns out of Washington. He has already spent considerable time listening to the concerns of farmers here in Vermont and I appreciate his expanding that concern by bringing the hearing here.

I also appreciate the time and effort taken by Secretary Lyng and all the Senate Agriculture Committee members to come here to Vermont to listen to the concerns of farmers here in the Northeast. I hope that coming to some of the communities and talking with individuals most affected by federal rural policy give you all a different view than you might otherwise get in Washington.

First, I'd like to share with you a little about our family farm operation and the perspective from which I see agriculture. As you hear from others testifying, there are wide variations in farmers'backgrounds and the way their operations run, though many of our needs may be the same.

Neither my husband, Rich, nor I grew up on farms, but ten years ago we became involved in dairy farming and have lived and worked continuously on farms since then. Rich worked as a herdsman for six years while I worked part-time in special education, aside from helping my husband. Four years ago (at that time with our two sons then four months old and three years old) we began our own family operation. Farming is a very capital intensive business. We had a lot of enthusiasm, but only a small amount of capital to bring to the operation. So we had to develop a business plan that would make the most of our dairy skills and our rather meager financial resources. For us that meant beginning by renting a small farm with about 30 acres of hilly, open land which we use primarily for pasture. Our major equipment consists of a used tractor and manure spreader. With a limited resource loan from FmHA, we purchased 36 registered Jersey cows. For now, we're building equity in our cows, rather than in equipment or real estate. Our emphasis is on investing our time in the management of our herd and getting from them in return exceptionally high production. We purchase all the barn feed for our cows, including hay which we get both locally and by tractor-trailer loads from Canada. This means high operating costs, but very low capital investment in equipment compared with more typical Vermont farms.

For the six warm months of the year-May through October, it's winter the rest of the year here, we get a large percentage of our feed from our pastures. We use an intensive rotational pasture system, where the cows are moved daily to a fresh paddock. The result is

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a high quality and low cost feed from a small capital investment in fencing.

Our income is actually from a variety of sources. First and foremost is the income we derive from the sale of our milk to Cabot Farmers Cooperative Creamery. That has been an excellent market since we earn additional money from the protein differential and quality premiums for our high solids, high quality milk. We have income from the sale of registered Jersey stock. We also have income from our portion of the profits from Cabot Coop. Cabot is a very innovative company making many steps forward in production and marketing of value added products. In the long run a coop which earns a greater share of the middle man's profits will enhance its members profitability as well.

A fourth source of income is my part-time position in special education to which I returned two years ago. The position is professionally both challenging and fulfilling. It's a way of gradually helping to capitalize our farm business and add to our standard of living. It's also a way of hedging against the inevitably cyclical nature of farm income.

As a farm business plan, this combination of things has worked well for us. We've been able to achieve very positive results from our herd. Our production per cow in 1986 was fourth in the state for Jerseys and seventh in the nation for Jersey operations of our herd size.

For our family it has enabled my husband and I to work together and have our children, now ages four and seven, be a part of that effort. While I'm off the farm, like today, Rich cares for both the children and cows. Challenging, but well worth the rewards. Despite the hard work and long hours, we have found farming a sustaining way of life.

So what do we, as young farmers, beginning to get ourselves established, look for in federal dairy policy? I don't have a specific program to recommend, but I'd like to suggest some elements that should be included.

First and foremost is the need for a stable and predictable price. As with any business, we need to look down the road one year, five years and more to plan where we're going. Since we've been in business on our own there has been a diversion program with assessments, the dairy termination program with assessments for those staying in the business and there have been price cuts. It's hard to plan.

Our electricity went out last week for three hours after lightening hit a nearby pole. I wondered when we'd be able to buy that $2000 tractor driven back up generator. Without a more predictable milk pricing system, I don't know.

The price and supply management system should reflect the ability of a region to sell its products. Whether it be through assessments, price cuts or

mandatory production cuts, the system should not penalize those of us with more market than milk for surplus production in other areas.

We have all, dairy farmers across the nation, paid the price for the national surplus. We've paid our dues, and though painful, the programs have been successful in getting production in line with commercial demand. The milk market here in the northeast is tight.

However, if a new "national" surplus begins to develop because of production above commercial demands in certain regions, please don't ask all regions to pay the price again with production cuts, price cuts or additional assessments. Such an approach would further decrease farm numbers here in Vermont, the most dairy intensive state in the nation. And it would further damage other related areas of the Vermont economy as dairy farming generates considerable off farm business and is an important focus of Vermont's tourist industry.

Please look toward a policy that addresses the source of any future surplus. Secondly, as young farmers, we need affordable and reliable financing and unrestricted access to the industry. This industry, like any other will stagnate if not renewed with the next generation. That is both sons and daughters of existing farmers buying into the home farm, and people like ourselves, entering without family farm equity. While successful dairying requires a high level of management ability, it is also a capital intensive business. And young farmers need to be able to borrow at reasonable interest rates in order to gradually build equity--in cows, equipment and property. Our hope of someday owning our own farm will be realized only if affordable financing is available.

Again there is a need for a regional approach in solving the problems of the Farm Credit System. Please don't penalize, and therefore make unhealthy, the farm credit system of the Northeast that is healthy.

Thirdly we need to continue the development of a strong market for dairy products through research and promotion at the national level. The national assessment has worked. Commercial use of dairy products is up 13.9 percent since 1983. Advertising does pay. And while a small cooperative such as ours, with 500 members, cannot make a significant investment in basic research and product development, the National Dairy Board with funds from all dairy farmers can support research into such things as lower cholesterol dairy products. Such developments could further increase commercial use and ultimately benefit all dairy farmers.

Senators and Secretary Lyng, the final point that I would like to make in this hearing, relates back to my earlier points about the dairy farmers' need for stability and predictability. It also relates very

closely to one of the next topics you'll be considering which is economic development in rural areas. And that is the projected 50 cent cut in the support price of milk scheduled for January 1, 1988-five months away.

The need for the price cut is based on USDA projections of government removals. I understand that last week, Charles Shaw, USDA economist who makes these projections, revised his estimate of government purchases for this year downward again--from 5.8 billion pounds to 5.3 billion pounds. I was looking over some materials this last weekend, which I received last winter, that quoted Mr. Shaw's projections at six to seven billion pounds for government purchase. That's at least two significant downward adjustments in recent months.

Gentlemen, this price cut comes right off the bottom line of farmers' income and does make a significant difference. Nationally, that will be $643 million that won't be in farmers pockets, either for family living expenses or farm operation expenses. In Vermont alone it will mean a $10.8 million decrease in dairy farm income. That's $10.8 million that won't be circulating in the Vermont business community. That price cut will be another blow to rural economic development here. That's especially true in some parts of our state, such as the Northeast Kingdom, whose economies are heavily dependent on agriculture.

For our small farm it would mean a $2,500 decrease in milk income. That may not sound like much in relationship to the federal budget concerns you have, but when it is over 15 percent of our family living expenses, it is a significant amount to us.

This price support cut would be implemented despite a current year projection that is only 300 million pounds above the five billion pound level at which a price cut would be instituted. This is a mere two tenths of one percent of the total milk production in this country. This is a projection that must have a significant margin of error and has been revised downward a few times in recent months. It's also based on a surplus of milk, some of which is imported. Most of it comes from regions far from the Northeast. None of it comes from this region.

Gentlemen, that's too small an amount of projected milk surplus to require dairy farmers across the board to pay that kind of penalty.

I would ask that you reconsider that price cut.

I wish you well in your deliberations of our next farm policy and thank you for the opportunity to speak before you today.

The CHAIRMAN. Thank you very much, Ms. Thomas. I know that you had to skip over part of your prepared statement to get within the time. I should note all of your prepared statement will be made part of the record. Any additional material you wish to offer should be submitted prior to the printed record.

Mr. Starr.

STATEMENT OF JACK E. STARR, SR., DAIRY FARMER, TROY, VT

Mr. STARR. Yes. Senator Leahy, I want to thank you for bringing all these Senators to Vermont to listen to some of us who are down-to-earth farmers, because I think in Washington, a lot of times you don't get the messages that we can give you, we who are really close to the land.

I'm a farmer from Troy, VT, and I'm 62 years old. I have been in the farming business for over 50 years with my father and my family.

I now own my own farm, which I have owned for 38 years in partnership with one of my five sons, and I also have a daughter. I have lived on the same road for 57 years in the Town of Troy. My farm is a nice little farm, not big, 270 acres. We border Canada to the north and Newport and Island Pond to the east, and St. Albans to the west, and to the south we come this way.

Never been much of a guy to leave the farm. Stayed close to it, went maybe to church, a few places like that, but never got too involved until the Whole Herd Buyout.

We went through the diversion. We could live with it. When you got in the Whole Herd Buyout, I was against it from day one, and I'm more so against it today, and I would like the opportunity to state some of my reasons.

Number one is, I was getting close to retirement, 62 years old. Put a lifetime on my farm, thinking that I had built some equity so that I could retire and live a normal retirement life. I found out in the last 6 or 7 years that this is not so.

It's impossible for me to sell my farm because my son cannot borrow any money. And when I heard that I was going to help my neighbor down the road to retire, who had only been there little over a year, I became very concerned. He took 54 cents out of my milk check for this guy down the road to retire, and I didn't think that was right.

And on top of him retiring, several of my old neighbors went along with them. Besides that, several of my other neighbors folded up at 54 cents. So for those reasons and seeing what it has done for my area, I want to go on record as a long-time farmer being very much opposed to the Whole Herd Buyout and all of its implications.

Now I'd like to bring you some of the implications that I see with it. You people are very concerned with conservation and the environment. Well, I want to tell you the worst thing you possibly can do is to drive the small farmer off his land.

We are proud of our land, we take care of our land. We wouldn't think of plugging up a ditch or polluting a stream unless it was very unusual. And as you drive the farmers off the land, years and years of Government money that has been put into conservation is

lost. The underground drainage plugs up which the Federal Government has paid thousands of dollars for. The land and all the soil we put into all these farms is gone.

And the result? Brooks that I swam in as a kid, my boys swam in as they were growing up. Just last week a lady came to me, one of my neighbors, she said she took the children swimming, and they came out of the water with 10 bloodsuckers on them.

This is caused by damming up and stagnating the water, and stagnating the areas which should be drained which the farmer has done over the years. And it is causing a very, very bad pollution problem to the brooks and the streams in rural America.

It isn't just Vermont, I'm sure. It's all over. These things are very, very detrimental to me as a farmer and to my community.

I think any program that is put out by the Federal Government that drives people off the land—if they want to leave voluntarily, and I think we have plenty who do, fine and dandy. But when you drive them off or when you buy them off, Senators, I say this is wrong. This should never happen.

You go back in history to the foundation of rural America, think of the work that went into these places and into the building of all these buildings, and we go down the road 150 or 200 years, and say, "Hey, we don't need you guys no more, we are going to buy you off and put back the land and let everything go back the way it was 200 years ago." And I say this is wrong.

Now you might ask if I have any solutions. As a long time dirt farmer, I think I have a few. Number one is we have to have a supply management program. In my opinion, there is no other way. The minute that we get the price of milk up to where we are getting a good return, the dairyman is carrying milk out of the barn, everyone is adding on to their buildings, and everyone is producing more milk.

When you go back to some of the charts we are going to show you in a very few minutes, you are going to see where it has driven the support price of milk and dairy products and farm products has skyrocketed out of sight because of the good prices that we were getting.

When we were getting $14, $15 a run for milk, we were doing well, and a lot of us were adding on. This is going to happen again. When you get this same thing back to where we stabilize the situation and the farmer starts to make money, unless there is a limit put on what he is going to produce, it's going to happen again.

And with the growth hormore, as far as I'm concerned, there will be no more small farms in the State of Vermont, and I'm sure that is going to happen all over the United States because the ones that are going to go for it will be the big boys, and the little guys will be left out in the dust.

I feel that in any decisions that you make, you should make it by talking with grassroot farmers. We seem to have a different perspective on things than a lot of people who were hired by large corporations or agribusiness people to run their businesses. We realize they are there for a profit, and they are going to make it, I feel, one way or another.

I also feel after you work for one of these concerns for a certain number of years you ought to retire. The only retirement we have

is living on the farm. No one is coming in and paying our retirement. We have to get it out of our farm. And I feel that with any program you make, it should be made so that the little guy can make a certain amount of milk, a certain amount of grain, a certain amount of I-don't-care-what-it-is, and be able to make a living. And then if he wants to leave, fine and dandy, let him go. But don't devise programs that will drive him off his farm.

In a final closeout, I would really like to tell you people that there is no way we can accept another 50 cent cut in our milk January 1. This has got to be a no-no. And it seems to me there must be some way—and I don't know anything about it, but since you are in Washington—that this can be stopped. We have been told today by Secretary Lyng that we have had a big increase in price. My check shows me 3 cents a hundred, and I don't think you can even get that down on a computer. And so, for God sakes, don't ever take 50 cents more from us come January 1. Thank you very much. I will be glad to answer any questions.

The CHAIRMAN. Thank you. I don't think, Jack, at this stage, that we have any questions that we are going to ask. I listen to you——

Mr. STARR. Let me say one thing. [Laughter.]

The CHAIRMAN. Jack has been doing this to me for years. Go ahead.

Mr. STARR. I was coming back on the airplane from Washington and there was a little girl and a little boy sitting in front of me, and I talked to them all the way. They were coming to visit an aunt somewhere here in Burlington, and we were 30 minutes into the flight and the little girl said, "Do you mind if I ask you a question?" I said, "No." She said, "Did you come from Nova Scotia?" I said, "Why?" She said, "Because of the way you talk."

The CHAIRMAN. We have actually arranged, as much as we can, simultaneous translation. You can't see the speakers up here.

Claude Bourbeau.

STATEMENT OF CLAUDE BOURBEAU, DAIRY FARMER, SWANTON, VT

Mr. BOURBEAU. Mr. Chairman, Secretary Lyng, Honorable Senators, first I want to take the opportunity to thank you for this committee which was certainly something very, very unusual.

My wife, Jane, and I have operated a farm near Lake Champlain in St. Albans since 1960. The help of our sons has made this possible and made it possible for us to meet our obligations. We feel we were able to make the necessary improvements on the farm during that particular period of time, and we wanted, if we could, to contribute to the well-being of the community. And the reasons I mention the help of my sons, I don't feel today we would be in the position we are in if they hadn't helped, if we hadn't had—and I use the words free help—from our children all the way up through high school. Of course, now to go out and hire the labor, I can assure you that there is a big difference and finances that are not the same.

Back in 1983, farmers were looking for a price support of $13.60, and at that time we had undertaken projects which we can no

longer meet the obligation on $11.10 and additional assessments that have been on and off ever since, and probably mostly on.

Our son and his wife bought a farm and we are somewhat financially involved in that, and along with being a director of Farm Credit in the Champlain Valley, I'm more aware than some other people that have the opportunity to be here of the financial problems of the young farmers today.

So, that would bring me to the first point I would like to make, the need for stability in the dairy industry. The farm bill of 1985 was received, as one might say, as good news and bad news, the bad news for us being that we had to bring production into line with the demand or the cuts were going to be so severe that no operation had any chance to survive.

However, the piece of good news was that finally, the rules of the game were established. We knew the distance we had to go and where the goals were set at. The Whole Herd Buyout became our plan of action. No doubt it worked, and probably beyond most people's expectations. A surplus of some 16 billion gallons of milk equivalent, now it has to be close to 5 billion pounds, and even under, according to some experts. The dairy farmers have taken the lead in cutting the cost of this program to the Government, and there is no reason to believe that those costs would now turn around and begin to increase since production in May was down 3.3 percent from a year ago—excuse me, that is June 1, 1987. There are still some 177,000 cows to be slaughtered or exported through the Dairy Termination Program.

We feel that we have played by the rules, so let's not change them or ignore them in the middle of the game or move the goals at an even greater distance just as we are about to score.

Now from the consumer's point of view, it would be erroneous to believe as the price of milk goes up, the price to the consumer would not also rise, causing a drop in consumption. In the last 3 years, consumption has increased by some 10 percent, but certainly not due to the price cuts that the farmer has had to absorb. For prices have soared at home, especially on ice cream and cheese. The lower production level will drive up the cost to the consumer and a perfect example being the Southeast, especially Florida.

The east coast is already a deficit area. The co-ops and handlers last year had to go outside of their regions to meet the demands of their customers, and cream was already being trucked in from Ohio and as far away as Michigan to some ice cream plants in Boston.

When you consider the price of moving these products to be anywhere from $2 or $3.50 a hundred weight, depending on the point of origin, you would have to admit that this would be a contributing factor to the increased cost to the consumer; Vermont having lost 10 percent of its farmers last year alone. The question is how much longer will the handlers continue to retain confidence in the supply of the Northeast if we keep coming short every year?

We hear about rural revitalization and rural economic development. I don't believe there would be any such thing if our dairy farmer loses their market, for you won't have any farmers.

We also hear the argument that CCC is still purchasing their product; therefore, cuts are necessary to discourage production.

Where one could possibly argue this this morning, one must realize that the Northeast is in no way responsible, and certainly not in a position to control the milk production of the entire country. Of these facts come our conclusion that maybe the time has come to take a serious look at regionalizing the problems of surplus. I realize that would be a difficult task but, on the other hand, if our forefathers, some 200 years ago had thrown up their hands and said it couldn't be done, our great country would not be where it is today.

The States of the west coast already have a pricing system of their own, and that takes into consideration the cost of production and supply and demand and also is a determining factor. We don't see where we would be opposed to having a region, except for the fact we no longer would pay the penalty for their increase in sales to the CCC.

I will conclude by asking you to consider these points and accept them in the spirit in which they were presented, which is with great sincerity and all due respect for you who have done so much for us, both in Washington and by coming here today.

We appreciate this greatly, and thank you in advance for decisions you have to make in the future, trusting you will treat us fairly and remember that the best defense and all the money in the world will not put food on our table unless it has first come off the farm.

Thank you.

The CHAIRMAN. Thank you very much. Before we go to the questioning, our next witness is Harold Howrigan. Harold.

STATEMENT OF HAROLD HOWRIGAN, DAIRY FARMER, FAIRFIELD, VT

Mr. HOWRIGAN. Thank you.

Honorable Chairman Pat Leahy, Secretary Lyng and esteemed Senators of the Senate Agriculture Committee, it's an honor and a pleasure to welcome you to Vermont on behalf of the St. Albans Cooperative Creamery and Vermont dairymen.

It is certainly a historic day for dairymen in the Northeast that we have an opportunity to speak to you about some of our concerns on the dairy issue. It also certifies that you share in our concerns that so many of you have taken the time from your very busy schedules to be here and are willing to work with us in solving some of these issues.

I'm Harold Howrigan of Fairfield, Vermont. I was born and grew up on a small upland farm in Fletcher that was well saturated with stone. It is still a part of our family farm. I was the 6th son of 11 children with 5 younger sisters.

We grew up during the Depression years. Our parents' only source of income was from 30 cows and the sale of maple products produced on our farm. I have learned to do, to make do, and to do without.

My wife, Anne, and I have five children, two daughters and three sons. Our sons and youngest daughter are active partners in our operation. Without their help and managerial abilities, I could not be here today.

After running the family farm for a number of years, we started on our own in 1960, buying a neighboring farm that was rundown with dilapidated and falling-down buildings.

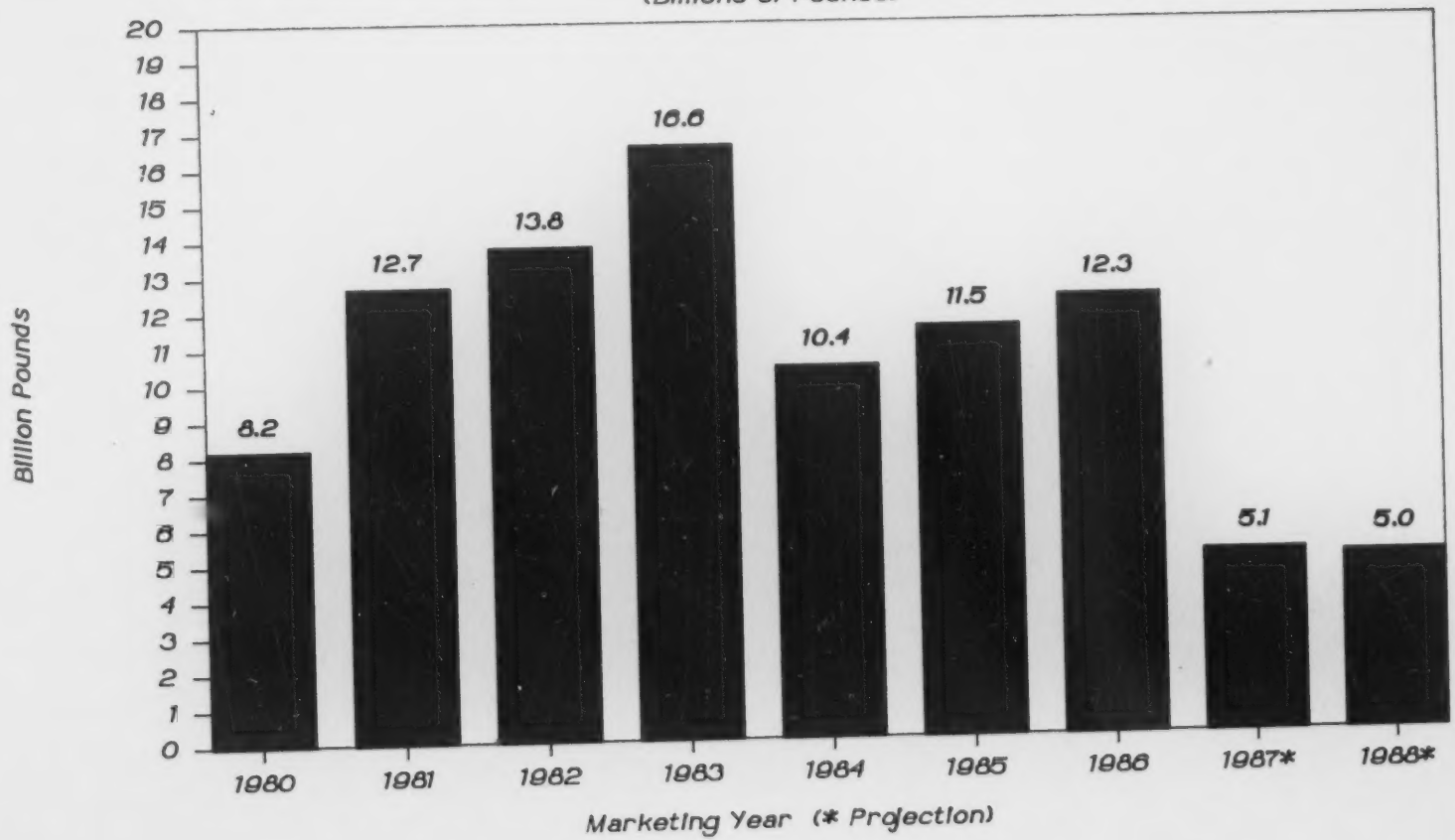
We currently ship to St. Albans Co-op from three small dairy farms. This year's production will total 3½ million pounds. Together with the Federal land bank of Springfield and our local bank, we own and pay taxes on about 1,600 acres. We grow our own roughage and raise most of our dairy replacements.

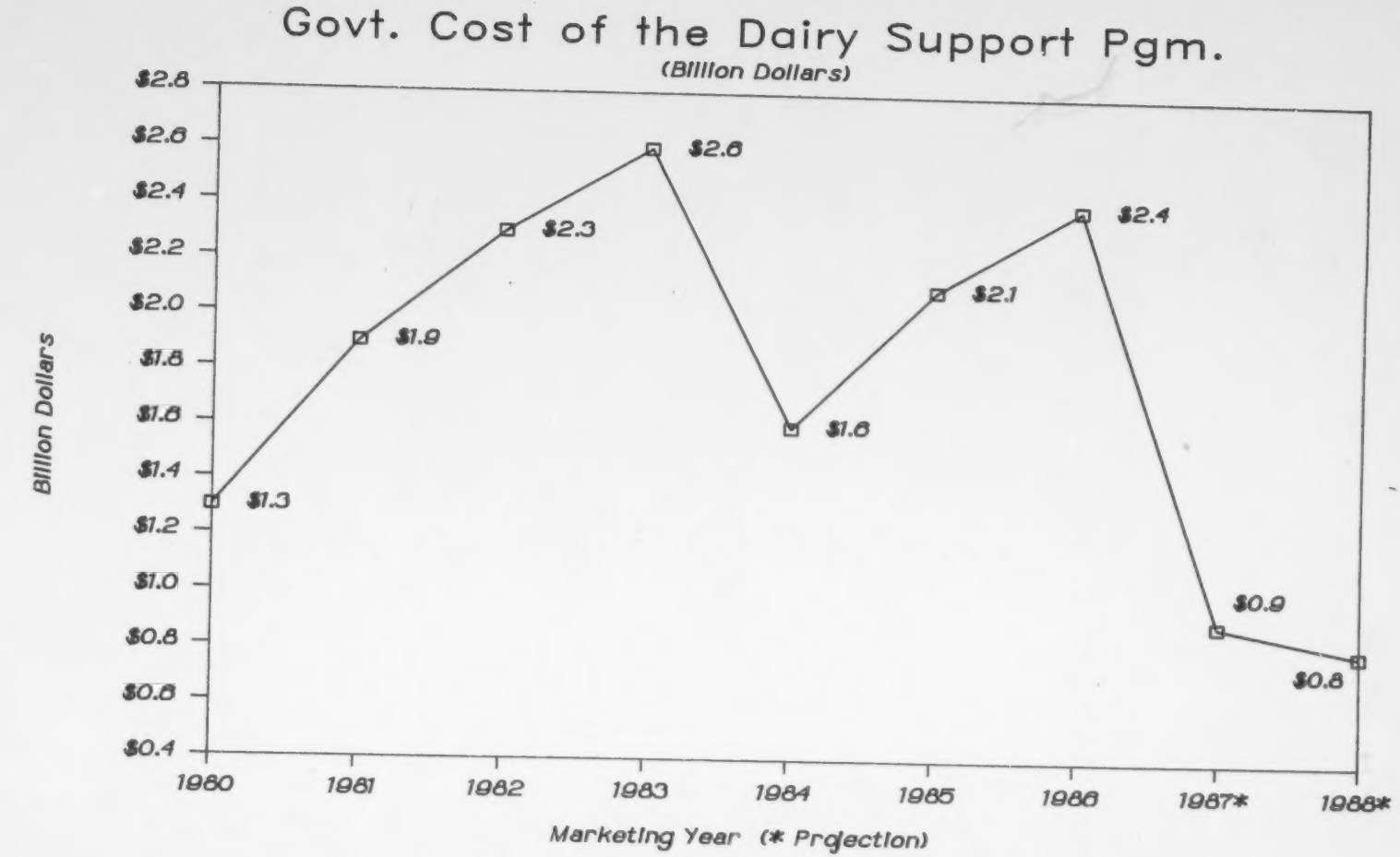
I would like to take a moment to refer to the charts that are here. So you can all see them a little more clearly, these are estimates. These are parts of billions of pounds of dairy products purchased by the CCC. The years are here. In 1983, a high of 16 billion. We refer to 1987, purchases went down to 5.1 billion, and the estimate for 1988 is 5 billion. These are the figures that the Department claims is the minimum needed to supply our social programs of nutrition, school lunches, and so on. I think that this exemplifies that the dairymen, since the Whole Herd Buyout, have really gotten our act together.

[The charts follow:]

Net Purchases of Dairy Products by CCC

(Billions of Pounds)




Govt. Cost of the Dairy Support Pgm.
(Billion Dollars)
Billion Dollars
$2.8
$2.6
$2.4
$2.2
$2.0
$1.8
$1.6
$1.4
$1.2
$1.0
$0.8
$0.6
$0.4
$1.3
$1.9
$2.3
$2.6
$1.6
$2.1
$2.4
$0.9
$0.8
1980
1981
1982
1983
1984
1985
1986
1987*
1988*
Marketing Year (* Projection)

Mr. STARR. If I can just make one point here, this was the money market, 16.6 in 1983, when we were getting all kinds of support from the Government, and that goes back to the point that I was making, the more people you have involved, the more of a problem, and you can see what's happening when you start to take a licking down on the farm. It brought it back to where you should be able to live with it.

Mr. HOWRIGAN. We have here a second chart which shows in billions of dollars the cost to the Government of the Dairy Support Program. This is prior to the buyout. This line is moving very sharply upward, probably off the chart today without that program.

[See page 40 for the chart.]

Mr. HOWRIGAN. I would remind you that this line's sharp decline, due to the buyout which is in large part financed by other dairymen who stayed in business, has dropped to $.8 billion.

I am certain that each of us firmly believe that our own region is unique and somewhat different from our neighboring area, and from the Northeast to California, there is a vast difference. When we are shoveling snow, they may be cutting alfalfa. There are some similarities. One is the milk that we produce and the desire to survive. This is a free economy and I certainly do not intend to imply that farmers in California, Oregon, Washington, better known as "Cow," should not be free to do as they wish. I do maintain, however, that they be responsible for the excess CCC purchases that they produce. "If you want to dance, then pay the fiddler."

Dairymen from the Northeast through the Diversion and the Whole Herd Buyout have their act together. There is a shortage of milk here. There was, even in the month of June. The Federal Government will purchase less than 4 percent of their total purchase in the entire Northeast in 1987. The St. Albans Co-op will not sell one dollar's worth to the Federal Government this year. On the other hand, the "Cow" areas referred to will sell in excess of 43 percent of the total CCC purchases to the Federal Government.

The importing of dairy products, casein and whole milk chocolate into this country must be carefully checked and not allowed to continue at the expense to the U.S. dairyman and the taxpayer. These products could be made from our own dairy supplies and do not need to be brought from abroad.

Vermont dairymen paid over $10 million to help fund the Buyout Program. We established a cost of $4,500 to each St. Albans Co-op member. There must be an honest and sensible approach to the national dairy policy. This can only be done on a regional basis. We in the Northeast should not be held in bondage by the excess production of "Cow" areas. Over 500 farmers have quit in the Northeast in 1987, 10 percent in one year.

There is more at stake here than a few farm families. Collectively, we own the entire rural area of the Northeast region. The economy, economic survival and the way of life of our region depends on the viability of agriculture, and dairy in particular.

There are several and many related businesses that depend on the success of agriculture for their survival. We are currently getting 77 cents and less for our blend price than in 1982. The support

price is $1.60 a hundredweight less than in 1982, but the consumers are paying a higher price for their product.

It's also interesting to note even though our farm prices have dropped, we are producing the highest quality milk ever. This is as it should be, but costs the farmer extra dollars.

Any cut in support at this time would affect the younger generation of farm families the hardest. The only thing they have done wrong is to be born when they were. They are some of our hardest workers and most capable and sharpest of dairymen, but carrying a heavy debt load that is many times due to circumstances beyond their control. They are the farm families of the future, they are the future of Vermont agriculture, and the survival of rural America. Vermont needs them. Our rural economy depends on them.

I think that the Office of Management and Budget has been trying to balance the budget on the backs of Vermont and the U.S. dairymen and the farmers long enough. They should look somewhere else to cut.

Thank you.

The CHAIRMAN. Thank you very much. I think the testimony of this panel points out the divergence on the Whole Herd Buyout in Vermont—some feel that it's necessary, others feel that it was a disaster. I hear every week when I'm back in Vermont and talking with farmers somewhere in the State, the same split in opinion between those that feel it was wise and those who felt it was not.

But now we have a situation that everyone of you have described where we are, and we have to decide where we go from there.

Steve Kerr and others have been keeping me posted on the regional cooperatives, RCMA.

Let me ask each one of you, do you think this is going to be successful at holding dairy producers together and risking a higher price?

Ms. Thomas, how do you feel?

Ms. THOMAS. I think the RCMA is going to definitely be helpful if it holds together, and I think that it will, but I think it will take a lot of work on the part of dairy farmers. But that is not the only solution. There needs to be continual Federal involvement and the price schedule for January 1 would actually take away all, if not more than what the RCMA needs to hold up in the region.

The CHAIRMAN. Mr. Starr.

Mr. STARR. We all were very enthused about the RCMA, but when we got the final results, it is going to be a little over 30 cents a hundred, and we know that certainly this is not going to be too much of a dramatic effect on what happens in rural America.

But, on the other hand, we are very happy that they are getting the price a little better. I would be very concerned that the same thing wouldn't happen that happened in the 1970's, and that is when we do start hitting a decent price and there are no controls put on what we are doing, it is immediately taken off and we were right back to square one.

But the RCMA, I'm very encouraged that they will get it off and hope it will be a help.

The CHAIRMAN. Mr. Bourbeau.

Mr. BOURBEAU. When we started talking RCMA it seemed an impossible task to get this many farmers together with so many dif-

ferent views, as I'm sure you realize here today, although that was achieved probably with 95 percent or greater success.

The greatest challenge we have now is to sell the idea to the proprietary handlers who, over the years, while we were taking the cuts, have nothing but maybe taken advantage of the situation and did not pass the savings to the consumer and certainly made their budget, the bottom line looks better. For that reason, many of them are now opposed to it. I would think probably some are large enough and have control over enough milk that they may be able to break it.

In any case, I can't help but wonder now that we are seeing the actual figures that we can sell out there, sell the idea, that it probably will be too little too late for many of us. Our young farmers do not need it. They are relying on 1990 or looking forward to the promises of the next farm bill. This is yesterday. It's only so long that you can go without water. They can promise you a nice refreshing drink across the desert, but if you don't have something to see you through, you're never going to make it, and after you are dead it can't help you very much.

The CHAIRMAN. Mr. Howrigan.

Mr. HOWRIGAN. We have to be optimistic that RCMA will succeed. It's a role of great magnitude. There are over 29,000 farms in the region that it will serve. I'm optimistic that it will fly. I think maybe more important than the modest 30 cent gain we made this fall, this is the first time ever that dairymen have priced their products in the marketplace. Hopefully, we will get established in the spring, rather than a great drop in price, we will be able to level that out, and then increase prices next fall. We are looking for a long-term gain here, hopefully.

The CHAIRMAN. I realize this next question is open-ended and you don't have the details before you, but it is a question I can remember asking on my first run with the Senate Agriculture Committee about 13 years ago. Let's have a show of hands on this issue.

How many of you would favor a regional program that combines with it the necessary production control? Call it anything you want, but with respect to the equivalent. Anybody want to answer this question?

Mr. STARR. You are asking how many would——

The CHAIRMAN. Jack, would you favor something like that.

Mr. STARR. I certainly would, and I think if it would be explained the way it was explained to me, and if they talk to some of our neighbors in Canada that live on the border that are on the quota system—I would want it set up in a different manner than that is, but I feel very strongly that the majority of the people would want it.

The CHAIRMAN. Ms. Thomas.

Ms. THOMAS. I would only support such a quota system if indeed the excess amount of milk that was being controlled was from my region. As long as my co-op can sell all its products, I would really have a hard time supporting a system that would force a cutback, when the Northeast, and my co-op in particular, is able to sell all that it can produce.

The CHAIRMAN. Mr. Bourbeau.

Mr. BOURBEAU. I believe I have to agree with Nancy's comment, and it comes back to what I was saying earlier, for the need of the regions, and if and when the situation would arise again where the Northeast is in a surplus position and the U.S. Government has to come and bail us out, then they ought to have the power and the right to buy that surplus at a price where they can put it on the world market. It should be at no cost to the Government.

But in the interim, where we have the market for more production, I don't feel we should be penalized for other regions. At that time I want to be informed of quotas or some kind of regional program. It will take people a lot smarter than I am to come up with that. But I don't think a quota, such as we have across the border, we have relatives and friends over there, and although it may seem very profitable, which it is in one way, it brings along with it a lot of baggage, and personally, I don't think I'd be ready for that.

The CHAIRMAN. Mr. Howrigan.

Mr. HOWRIGAN. I guess I'd have to agree with the majority of the panel, as a total across the country, a quota is not needed at this time. There are certain regions it might apply to. And here in the Northeast, we certainly do not need a quota on milk, I don't see how that would help our situation any. So I have some reservations at this time.

Senator LUGAR. Mr. Chairman, following along your line of questioning, it seems to me as the panel testified, that there was a desire for a regional solution to the problem, at least for Vermont dairy people. But there was also suggested by Mr. Starr that in the event that the price becomes attractive, that the people produce more, and people suggest a supply management. Your question really brought the two together.

What is the panel's further reflection on Secretary Lyng's testimony that it would appear that through research, not only the bovine hormone, but other research effort to make the cows more efficient, that in fact we move from 11 million cows to about 10 million with the Whole Herd Buyout, but that in fact 7 million cows in the country, maybe 7 million cows could produce the entire supply of milk that we need.

In the face of that, even if there was a substantial quota which would sort of hold in place the large and the small, so no one is displaced on that alone, it would appear that the number of cows is going to decrease.

Are you of the opinion that in the control of the situation in Vermont alone, or a couple of surrounding States, that essentially you work out the supply and demand of your consumers, and in this manner you either became more efficient or you just fail to adopt the research efforts, or how do you see yourselves operating in the total economy with a supply management and a regional restricted format?

Ms. THOMAS. I think the regional format will be a necessary thing. I think you don't want to get into a situation where you are forcing through price cuts, price supports or mandatory production control, forcing Vermont and the Notheast dairy farmers—and that's a pretty broad area. It's a much larger area than that. The CCC covers 11 States. I think you want to address the needs that the consumers have within that area. You also want to continue

work on marketing, on advertising and on product development so that the increased productivity of the cows can be met with increased consumer demand. There are a number of products, like low cholesterol dairy products and things that are in the research stage, that can enhance consumer demand. I think we need to look at that rather than decrease the cow numbers within our region, rather than looking to the farmers in the Northwest to supply our consumer needs.

Mr. STARR. It bothers me that just in the last few months it has been brought to my attention that there is not a surplus in the New England States and hasn't been one in several years. The message we got down on the farm and didn't believe too much, until a couple years ago, was, we were producing way in excess and we were getting cut, cut, cut.

My idea on the growth hormone is if it is going to dramatically increase the production per cow, if we want to keep rural America, we have to put a ceiling on what a man can produce. If I can produce 300,000 pounds of milk at $16, there is no way I want to produce 500,000 pounds of milk at $12. I think you can make a distinction here. A man will produce so many pounds on the farm if you give him a fair price. He does not need to overproduce. Instead of milk at 60, we'll be making milk at 30, we'll have time to go to church and go down swimming.

Senator LUGAR. Let me follow for a second and say essentially, in this country, maybe dairy farming will be a total exception to this rule, but as a rule, as we try to proceed to learn more about agricultural production, we have tried to increase the production so that in fact,we did have consumers enjoying lower prices and more of everything.

I appreciate your point of view that you are expressing, and it may work for a specific group of persons, dairy farmers in this region. But I suspect that in due course, many consumers in the region, covering something beyond the local community, will probably want the benefits of lower prices and the higher standard of living that seems to imply, which as a rule, producers and consumers have to work together over the course of time with gradual adjustments as opposed to fits and starts, suggests more stability, lower interest rates, these things which we subscribe to.

For the record, are you suggesting that, in fact, we literally keep the price in perpetuity where it is, in regard to producers and consumers, and ignore what is occurring in research and deny those benefits, essentially, to the people of the region?

Mr. STARR. I'd like to answer that if I could.

I think it is high time that Jim Brown, up there in the city or whatever, should consider the advantages he gets from Mr. Starr owning a farm up in northern Vermont. I have 300 acres of land that is open to anyone: Skidooers, cross country skiers, fisherman, swimming. We have a swimming hole. We have the best brown trout fishing possibly in the State of Vermont.

If my farm is not kept going, they better know what's going to happen, because I have neighbors up there that have put a post, and I never put a poster on my farm in my life. If they want us to keep rural America, they have to sacrifice a little bit out of their own pockets.

Senator LUGAR. Thank you.

The CHAIRMAN. Thank you very much. If I'm not here this afternoon, it's because I have gone fishing with Jack Starr.

In all seriousness, I think the reaction we have heard from the audience and the panel indicates the difficulties of the problem that we have is not just dollars and cents, but goes beyond that. It goes to the question of do we maintain the farm? Do we maintain agricultural production? We know a chance should be given for the next generations to turn to their son or daughter and say go and farm the land or not. If not, then a great deal of the rural nature of my State and every other State represented here changes. I think it changes for the worst.

I wish we had more time, but I'm trying to hold that pocket of time open for people from the audience. I want to thank all four of you for the testimony you have given here. The testimony and reaction we have here are things we could not do in Washington.

It reminds us of our trip to North Dakota, South Dakota, Iowa, Nebraska, Mississippi, Georgia, and all the other places. That is why we are here. I thank you so much for taking the time to be here.

Our next panel will include Ann Dixon, owner of the Guilford Cheese Co. in Guilford, VT, down in the southeastern part of the State; Chris Page, executive director of Economic Development Council of Northern Vermont, Inc. in St. Albans in the northwestern corner of the State; Fred Schmidt, director of the Center for Rural Studies, University of Vermont.

I wanted this panel to testify because all across America, rural communities are hurting. The 1980's have been a decade of decline for traditional rural industries.

In the last 7 years, rural counties have lost jobs and population. We are seeing a whole new generation of rural poor.

Vermont is one of the most rural States in the Nation, and small pockets of communities define our rural character. While I would say there are problems in rural Vermont, we are doing better than other parts of the country. There is reason for concern here at home, just as there are in other rural areas.

I think the Federal Government has to do more to help rural America survive the pressures of a global economy. No small town by itself can help determine which way the global economy goes. We need to help, to be players in that. We have to let rural entrepreneurs begin and expand new businesses to keep agriculture healthy and maintain the quality of life.

We have introduced in our committee the Rural Area Revitalization Act of 1987, S. 845. I hope we are going to come up with more comprehensive legislation. I don't think there is any greater resource in America than the skills and character of its rural residents.

Those skills are represented here. Ron Allbee was kind enough to make a personal reference when he talked about the granite quarries and the printing plants. My grandfather was a granite cutter, and my father and mother had a small printing business in Vermont.

It is all of these small businesses that keep rural America vital and a place that so many want to live. But it's also the fragile nature of our rural area that makes it so important.

Ms. Dixon, we will start with you.

STATEMENT OF ANN DIXON, GUILFORD CHEESE CO., GUILFORD, VT

Ms. DIXON. Thank you. Honorable Chairman, Secretary Lyng, Senators and concerned citizens, I'm here today to talk about my business which is the Guilford Cheese Company.

We are a family owned and operated business, devoted to the processing of special cheeses. We make fresh, unripened cheeses, we make Brie and we make Camembert. We run a 120-acre Jersey farm which makes the milk for our cheeses, then we process the milk in a 3,500 square foot cheese plant on our farm, and then we oversee the marketing of our products.

Let me explain something of the reasons why we developed this family business. We set out 3½ years ago to prove that a small hillside farm in Vermont could become a viable business in the 1980's by adding value. This concept of adding value has long been a tradition in Vermont, and we felt it was time to return to that tradition.

As a cheese-loving family, we had long wondered why the wonderful, abundant cheeses found in Europe couldn't be made in this country. The answer, as we have found out was and they are.

The recently published Guide to American Specialty Cheeses shows that over 60 small-scale specialty cheese companies now exist across the country. Most of these companies are new and most of them are making cheeses that, until recently, were not fabricated in the United States.

Situated as we are in southeastern Vermont, 2 hours from Boston and 4 hours from New York City, we could not resist the challenge of making products which Americans have developed a true taste for and have very strongly supported in the marketplace.

By minimizing the handling and transportation of these specialty cheeses, we felt we could deliver them in better shape than the Europeans to our U.S. marketplace. It helps, too, that 70 percent of the specialty cheese sold in this country is done so in the Northeast.

Let me explain how we got into the actual setting up of our business. We existed in two phases. Initially and an experimental phase.

First, we developed the recipe for our cheeses, then we identified that what we had in our business was three full-time jobs, a farm manager, a cheesemaker and a marketer, plus plenty of room for everyone to be involved in future planning.

We initially borrowed $50,000 from Farm Credit to establish the cheesemaking facility beside our barn; then we went about test marketing our products through farmers markets through a small number of carefully selected specialty shops and restaurants in the Boston and New York areas. We were very well supported in our early phases by the Vermont Department of Agriculture.

About a year and a half ago, we began to plan for our second phase, that being a building of a new and high technology cheese plant, still to be found on the farm.

We also planned at that time to develop a system which would allow us greater production. When we first approached the local bank with our idea, we were greeted with the response, "Perhaps you should buy a boat and you will have a lot more fun." That wasn't what we were all about, so we pursued in our endeavors and we did find a bank and a banker with imagination. And essentially we have worked out a loan through a local development corporation, through Vermont's Industry and Development, and through the SBA. I must say though that it was a very time consuming and very energy consuming process.

At that same time, we began to feel what I have come to refer to as the bureaucratic phase. I spent a great deal of energy on the telephone calling agencies from the Federal level to our local level.

As an example of the kind of things that I came up against at that time, let me point out what happened with the Soil Conservation Service. They kindly sent a man around who helped us design a waste water handling system. When we presented the plans, which had been developed by this Federal agent to the State agency involved with water resources, they said, "You can't possibly do it this way," so we were back to square one.

Because we had affiliated with a French company in the making of French-style cheeses, we also had horrendous hurdles to overcome with the Immigration and Naturalization Service and U.S. Customs Service. Those are the problems, the problems of finding money and the problems of making it through the bureaucratic maze.

I would like to propose two solutions, because I'm not one to find problems and then just let them hang. I would suggest very simply in the business of overcoming the bureaucratic maze that the Government might provide an ombudsman, either at the State or regional level who could help someone who was planning an agriculturally based business such as ours to facilitate going through the planning and regulatory process. It seems to me that a person who could field those agencies and direct one into the proper channels would be extremely helpful.

Further, I would suggest that the Government provide no interest or low interest loans which could be used by small, agriculturally based businesses during the planning and construction phases of their projects until such time as their sales income could meet those loan payments.

In closing, I would like to say that Vermont has a marvelous image, fresh, clean and natural. In developing small-scale, added value and high-quality added value agricultural products, we have an opportunity to enhance that image and so save many hillside family farms.

The CHAIRMAN. Thank you very much for your compliments. I've tried some products from your company. They are delicious.

Mr. Page.

STATEMENT OF CHRISTOPHER PAGE, EXECUTIVE DIRECTOR, ECONOMIC DEVELOPMENT COUNCIL OF NORTHERN VERMONT, INC., ST. ALBANS, VT

Mr. PAGE. Thank you, Mr. Chairman. I'd like to thank you and welcome the members of the Senate Agriculture Committee and Secretary Lyng to Vermont, and I am grateful for this opportunity to comment on the problems and potentials facing rural communities in the area of nonfarm development.

1. SUBSTATE DEVELOPMENT ORGANIZATIONS

The Economic Development Council of Northern Vermont, Inc. is a not-for-profit regional economic development corporation serving Caledonia, Essex, Franklin, Grand Isle, Lamoille and Orleans Counties, historically, the States most economically disadvantaged area.

The district policies and activities are guided by a board of directors representing the interests of business, industry, education, agriculture, and finance, and 51 percent of its directors are local elected officials.

This focus on the economic well-being of an entire region rather than individual jurisdiction is not unique to Vermont. I'm sure many members of this committee are familiar already with the network of established economic and local development districts throughout the United States. Their small, versatile professional staffs help local people create jobs by making public investments that encourage private investment.

2. TYPES OF ASSISTANCE

The northern Vermont district, like its counterparts, provides a wide range of services to businesses, individuals, and communities. These include long-range economic development planning, technical assistance to local governments on specific development issues, and aid to businesses in expansion, stabilization, and recovery efforts.

The district also has provided assistance in coordinating recovery efforts and identifying diversification opportunities for troubled industries which, in our area, have included lumbering and mining.

Recently the district has cosponsored with other local groups an entrepreneurial training program which has won national recognition for its work with disadvantaged, JTPA eligible individuals.

3. REVOLVING LOAN FUNDS

Since 1980, we have operated a revolving loan fund [RLF] for business and industry in northern Vermont, originally capitalized with $1 million from the Economic Development Administration. The fund has been one of the district's most effective economic development tools. Its 48-loan portfolio now represents investments of nearly $1½ million, which in turn has leveraged over $10 million in private capital, a ratio of nearly 7 to 1. The 781 documented jobs created and retained by this program reflect a Federal cost of $1,280 each.

This method was meant to fill the capital gap unmet by traditional lenders. This unmet demand, according to the U.S. Department of Commerce, tends to be highest in rural areas which are often unsuccessful in assisting companies to provide new jobs and increase income for area residents.

RLF borrowers are required to offer wages at least 35 percent above the prevailing Federal minimum.

For example, an RLF investment in a cosmetics manufacturing firm in a small northeastern Vermont town resulted in a major expansion and the creation of 28 new jobs. The company offers good wages and competitive benefits, including flexible schedules for its primarily female labor force. In Orleans County, where 47 percent of the poor are female heads of households, competitive jobs for women with benefits such as this are of vital importance.

The individual entrepreneur, often considered the highest risk and most volatile of borrowers, as you have just heard, can benefit from RLF investment. Regional organizations are designed with broad citizen representation and revolving fund discount committees reflect their diversity. They combine local decisionmaking with knowledge of the community, borrower, business, and market to structure loan terms that will enhance opportunities for success.

Through the RLF's the Federal Government places both the tools and the responsibility for regional growth and development squarely on the shoulders of local citizens.

4. Continuing Infrastructure Needs

As you may all remember, 10 years ago, infrastructure was the word that really made Washington buzz; infrastructure was popular, it was a common thread that strung together rural and urban, prosperous and disadvantaged. As a nation, all of our regions faced decaying and inadequate public facilities, and we set out to correct the problems with tax dollars. However, the basic inequities went unnoticed. While we were improving urban facilities, we were building rural waterlines, rural sewer systems and rural roads for the first time.

The subsequent decline in Federal support for infrastructure programs left many rural States, regions, and communities without the resources to implement basic facilities programs. Without a foundation, rural areas cannot construct a lasting, dynamic economy, or in today's buzzword, they cannot be competitive.

If rural communities, such as those we see in northern Vermont, are unable to add even two tables in the local restaurant, how can we expect them to compete in a rapidly changing national and international economy?

Mr. Chairman, you are aware of the benefits of some public investments in northern Vermont, including the participation by the Economic Development Administration and the Farmers Home Administration in a regional dairy industrial park in the Town of Georgia, Vermont. That project, I'm pleased to report to you today is a tremendous success, building a substantial tax base for that community and employing over 200 people in the firms that it has attracted.

5. The Rural Economy

Results of a survey done by the Appalachian Regional Commission on the economic condition of all the Nation's counties from 1970 to the mid-1980's show that a two-tier economy is developing. While urban areas in the East are prospering, the data suggests that rural economies in the same region are performing poorly.

With our base of extractive industries, dwindling manufacturing and limited taxing ability, rural areas, such as northern Vermont, are finding it difficult to foster economic development and diversification.

6. The Federal Role

Domestic assistance programs that have been a vital source for rural, nonfarm development—such as the Farmer's Home Administration, SBA, EDA, HUD, HHS—have been drastically reduced since 1980. The 1988 budget analysis, which you will find submitted with my testimony today, reflects the administration's intent to eliminate virtually every existing program for rural development. We are facing a public policy of nonpolicy toward the development of rural areas.

[See pages 60 to 61 for the budget analysis.]

Mr. Page. Our board and many of our elected officials were pleased to note, Senator Leahy, that you have identified these priorities in the Rural Area Revitalization Act of 1987, S. 845. I presume that you did not have to twist Senator Heflin's arm to do that, although you are very good at that, we find. And you do have our sincere appreciation for his participation and your initiative in that.

As you go forward in your herculean task of defining the nonfarm development needs of our rural areas, and as you identify the resources that the Federal Government can bring to bear on the problems, I hope that you will consider some of the financial tools that I have just summarized.

7. Conclusion

I realize that this committee is not responsible for all of the Federal programs affecting rural economic development, and I know that it is not in your power to address all of the problems I have outlined. I commend the dedication and leadership that you have demonstrated, individually and collectively, in pursuit of an equitable national rural development policy. Our organization and substate districts across the Nation stand ready to assist you in identifying and addressing rural development issues.

Thank you again, Mr. Chairman and members of the committee for the opportunity to be with you today.

[The prepared statement of Mr. Page follows:]

Statement of

Chris Page, Executive Director
Economic Development Council of Northern Vermont, Inc.
St. Albans, Vermont

Before the

Agriculture Committee
United States Senate

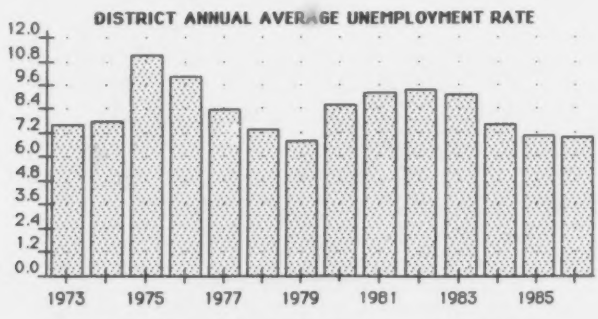
Field Hearing
July 27, 1987
Winooski, Vermont

INTRODUCTION

Mr. Chairman, members of the Senate Agriculture Committee, I am Chris Page, Executive Director of the Economic Development Council of Northern Vermont, Inc. based in St. Albans, Vermont. I would like to thank you, Mr. Chairman, for inviting me to participate in these hearings, and I take this opportunity to welcome your colleagues to Vermont. I am grateful for the opportunity to comment on the problems and potentials facing rural communities in the area of non-farm development.

1. SUBSTATE DEVELOPMENT ORGANIZATIONS

The Economic Development Council of Northern Vermont, Inc. is a not-for-profit regional organization. Its service area includes Caledonia, Essex, Franklin, Grand Isle, Lamoille and Orleans counties, historically the State's most economically disadvantaged area. The Council was designated an Economic Development District (EDD) by the U.S. Department of Commerce, Economic Development Administration (EDA) in 1974. As such, it sponsors a wide variety of public and private initiatives to encourage economic growth and development in the six county area.



Source: Vermont Department of Employment & Training

The District's policies and activities are guided by a Board of Directors representing the interests of business, industry, education, agriculture and finance. Fifty-one percent of its Directors are local elected officials. By working cooperatively through the District, the private sector and local governments are able to maintain and create jobs using public investments and extensive local participation.

This focus on the economic well-being of an entire region rather than individual jurisdictions is not unique to Vermont. There exists a network of established Economic and Local Development Districts in rural areas throughout the U.S. Supported by limited Federal and local funding, Districts provide a myriad of development services. Their small, versatile professional staffs help local people create jobs by making public investments that encourage private investment.

2. TYPES OF ASSISTANCE

The Northern Vermont District, like its counterparts, provides a wide range of services to businesses, individuals and communities. These include long-range economic development planning, technical assistance to local governments on specific development issues and aid to businesses in expansion, stabilization and recovery efforts.

For example, in 1980 the District assisted the communities of St. Johnsbury and Lyndon in designing an industrial development strategy that included a unique tax revenue-sharing agreement which reflected their pro rata investments in a new industrial park. The concept was, at that time, so unusual as to require a special enabling measure by the Vermont Legislature; several Vermont and New England communities have since replicated this development strategy with equal success.

The District also has provided assistance in coordinating recovery efforts and identifying diversification opportunities for troubled industries including lumbering and mining. In some cases, retraining programs and international trade assistance have been required to ensure the continuation of local employment.

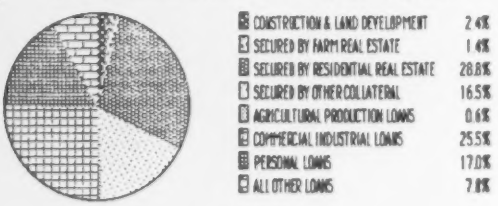
In the past twelve months, the District has co-sponsored with other local groups an entrepreneurial training program which has won national recognition for its work with disadvantaged, JTPA-eligible indivdiduals. The intensive, ten week program has produced four business start-ups from a class of fifteen students and prospects are good for three to five more before year-end. The District will continue to provide individual technical assistance beyond the term of the program to achieve the highest possible business success rate.

3. REVOLVING LOAN FUNDS

Since 1980, the District has operated a Revolving Loan Fund (RLF) for business and industry in Northern Vermont. Orginally capitalized with $1,000,000 by the Economic Development Administration, the fund has been one of the District's most effective economic development tools. Its 48-loan portfolio now represents investments of nearly $1.5 million which in turn have leveraged over $10 million in private capital, a ratio of nearly to 7:1. The 781 documented jobs created and retained by this program reflect a Federal cost of $1,280 each.

The RLF is designed to fill the capital gap unmet by traditional lenders. As a U.S. Commerce Department study has found, this unmet demand for capital is highest in rural areas, due in part to conservative underwriting practices and to restrictive lending limits. Small, untested firms with substantial potential often find it difficult to obtain necessary capital in small communities and are unable to compete in money center markets.

COMMERCIAL BANK LOAN DISTRIBUTION


CONSTRUCTION & LAND DEVELOPMENT 2.4%
SECURED BY FARM REAL ESTATE 1.4%
SECURED BY RESIDENTIAL REAL ESTATE 28.8%
SECURED BY OTHER COLLATERAL 16.5%
AGRICULTURAL PRODUCTION LOANS 0.6%
COMMERCIAL INDUSTRIAL LOANS 25.5%
PERSONAL LOANS 17.0%
ALL OTHER LOANS 7.8%

Source: Vermont Department of Banking & Insurance, 1986

RLF INVESTMENT ACTIVITIES 1980-86

Source: Economic Development Council of Northern Vermont, Inc.

The RLF is successful in assisting such companies, and their growth provides new jobs and increased income for area residents. RLF borrowers are required to offer wages at least 35% above the prevailing Federal minimum. In our seven-year history, we have aided twelve start-up operations and 24 major expansions -- all locally owned, locally controlled. Investments have included such diverse industries as cosmetics, sculling oars, wooden toys, sportswear, lumbering and quarrying.

For example, an RLF investment in a cosmetics manufacturing firm in a small northeastern Vermont town resulted in a major expansion and the creation of twenty-eight new jobs. The company offers good wages and competitive benefits, including flexible schedules for its primarily female labor force. In Orleans County where 47% of the poor are female heads of households, competitive jobs for women with benefits such as this are of vital importance.

The RLF has been effective in helping to stabilize and diversify faltering local businesses. The forest products industry, long the base of northeastern Vermont's economy, has been hard hit by both imports and declining product demand. The revolving fund has made several investments in wood-related businesses. These have included the development of a successful line of wooden toys and treated lumber products for new urban markets.

The individual entrepreneur, often considered the highest risk and most volatile of borrowers, can benefit from RLF investment. Regional organizations are designed with broad citizen representation and revolving fund discount committees reflect this diversity. They combine local decision-making with knowledge of the borrower, business and market to structure loan terms that will enhance opportunities for success. The northern Vermont RLF has assisted entrepreneurs who now market, on an international scale, goods ranging from Olympic-quality sports equipment to locally grown gourmet foods.

There is no doubt that regional revolving loan funds are an important part of the economic recovery strategy for hundreds of rural areas across the country. Through RLF's, the Federal government places both the tools and responsibility for regional growth and development squarely on the shoulders of local citizens. In northern Vermont and in scores of other communities in rural America, this system works and its effects are tangible and documented.

4. CONTINUING INFRASTRUCTURE NEEDS

Ten years ago, "infrastructure" was the word that made Washington buzz; infrastructure was popular, it was a common thread that strung together rural and urban, prosperous and disadvantaged. As a nation, all our regions faced decaying and inadequate public facilities, and we set out to correct the problems with tax dollars. However, the basic inequities went unnoticed. While we were <u>improving</u> urban facilities, we were building rural water lines, sewer systems and roads for the <u>first time</u>.

The subsequent decline in Federal support for insfrastructure programs left many rural states, regions and communities without the resources to implement basic facilities programs. Without a foundation, rural areas cannot construct a lasting, dynamic economy, or in today's buzzword, they cannot be "competitive."

Consider the community of Hardwick, Vermont, population 2,600. Long troubled by low incomes, joblessness and decline, Hardwick has struggled to overcome its problems with remarkable determination and with the assistance of regional organizations. This progress is now being threatened by the community's inability to finance the upgrading of its

With our base of extractive industries, dwindling manufacturing and limited taxing ability, rural areas such as northern Vermont are finding it difficult to foster economic development and diversification. In the District's annual Town Meeting survey, seventy-seven percent of the respondants indicated a critical need for increased economic activity in their communities, and 91% of those looked to local government and regional organizations for leadership in development.

Vermont is not unique. I am a Director and Past President of the National Association of Development Organizations (NADO), a rural public interest group. Through this affiliation, I have met with literally hundreds of rural elected officials who have expressed similar concerns and experience. There is significant potential for the sentimentalization of rural America; our small communities are easily viewed as quaint, nostalgic places, forming an idealized window to the past. Rural America is <u>not</u> history, and the over seventy million of us who live here have much to offer this country's future from food to technology .

6. THE FEDERAL ROLE

Domestic assistance programs that have been a vital source for rural, non-farm development (such as FmHA, SBA, EDA, HUD, HHS) have been drastically reduced since 1980. The 1988 budget analysis submitted with this testimony reflects the Administration's intent to eliminate virtually every existing program for rural development. We are facing a public policy of non-policy toward the development of rural areas.

We have a strong tradition of volunteerism in Vermont. We are proud of the willingness of our private sector to aid community efforts. But we also believe that Federal investments are critical components in bringing back and retaining the economic stability of rural communities here and throughout the country. For rural areas, programs that provide planning, technical assistance, public works and revolving loan pools are of the greatest value.

Our Board and many of our elected officials were pleased to note, Senator Leahy, that you had identified these priorities in the Rural Area Revitalization Act of 1987 (S.845). You, and Senators Harkin and Heflin, have our sincere appreciation for that effort.

overburdened sewer system. If rural communities like Hardwick are unable to add even two tables in the local restaurant how can we expect them to compete in a rapidly changing national and international economy?

Public investments in community facilities can reap significant rewards. In 1980 the Town of Georgia received funding for a Regional Dairy Industrial Park from the Economic Development Administration and the Farmers Home Administration. The project, as you will recall, Mr. Chairman, was part of a regionally-supported effort to utilize the agricultural skills of the labor force in the face of declining farm employment. The park has attracted a multi-national firm which utilizes dairy by-products in manufacturing and research. With its pending expansion, the company will employ over two hundred, and the community is well on its way toward establishing a stable commercial tax base.

Neither these communities nor other rural areas are standing at Treasury's door with their hands out. We all recognize the complexities of this changing economy and the need for fiscal restraint. In northern Vermont, local governments have contributed over 45% of the direct cost of Federal public works projects during the past ten years. Our hope, and our need, is a continuation of this productive partnership -- a joint investment in our mutual economic well-being.

5. THE RURAL ECONOMY

Results of a survey done by the Appalachian Regional Commission on the economic condition of all of the nation's counties from 1970 to the mid-1980's show that a two-tier economy is developing. While urban areas in the East are prospering, the data suggests that rural economies in the same region are performing poorly.

Within the Vermont microcosm, the divergence is evident. Northern Vermont's 1984 per capita income level is nearly 30% below that of neighboring Chittenden County. Thirty-six percent of the taxpayers in northern Vermont report incomes of less than $10,000. Five of the region's six counties have been cited by the Vermont Agency of Human Services as suffering from the widest range of social and economic ills.

As you go forward in your Herculean task of defining the non-farm development needs of our rural areas and as you identify the resources that the Federal government can bring to bear on the problems, I hope that you will consider three financial tools; they represent proven and effective methods of encouraging growth and development:

Grants to rural organizations for the establishment of revolving loan funds to help provide capital to create private sector jobs.

Grants and loans for needed infrastructure including roads, bridges, water and sewer and related community facilities.

Grants to locally-based organizations to provide management assistance to local governments and small businesses.

7. CONCLUSION

I realize that this Committee is not responsible for all of the Federal programs affecting rural economic development, and I know that it is not in your power to address all of the problems that I have outlined. I commend the dedication and leadership that you have demonstrated, individually and collectively, in the pursuit of an equitable national rural development policy. Our organization and sub-state Districts across the nation stand ready to assist you in identifying and addressing rural development issues. Thank you again, Mr. Chairman and members of the Committee, for allowing to join you here today.

Attachment follows:

Source: National Association of Development Organizations

FEDERAL BUDGET COMPARISON, FY 1980-1988, RURAL PROGRAMS

	1980	1981	1982	1983	1984	1985	1986	1987	Proposed 1988
DEPARTMENT OF INTERIOR									
State Outdoor Rec. (LWCF) Grants	318.6	293.5	46.4	112.2	115.2	102.4	46.0	32.7	0.0
State Historic Preservation Grants	43.8	51.7	23.3	46.9	22.0	21.1	19.5	17.4	0.0
Payment in Lieu of Taxes (BLM)	100.0	100.0	91.3	96.1	105.0	102.9	99.9	105.0	105.0
DEPARTMENT OF LABOR									
JTPA State Block Grant (1980 CETA)	3342.0	n.a.	n.a	2179.3	3300.0	1886.2	1783.1	1840.0	1800.0
Summer Youth (1980 CETA)	2330.5	n.a.	n.a	824.2	824.5	824.5	635.9	750.0	0.0*
Dislocated Worker (1980 Trade Adj. Asst.)	1664.4	n.a.	n.a	110.0	262.7	235.3	95.7	200.0	900.0
Comm. Service Empl. for Older Amer.	266.9	277.1	202.0	319.5	317.3	326.0	311.9	326.0	326.0
SMALL BUSINESS ADMINISTRATION									
503 (504) Cert. Development Co. Loans	(250.0)	(100.0)	(150.0)	(250.0)	(350.0)	(450.0)	(383.0)	(373.0)	(373.0)
Small Bus. Investment Co. Loans	148.8	160.0	134.1	159.9	250.0	256.0	239.0	233.0	(247.0)
Minority Ent. SBIC Loan (Direct)	32.5	41.2	27.3	25.7	41.0	41.0	39.0	39.0	(20.0)
General Business Loans (Guaranteed)	(3000.0)	(2804.7)	(1516.5)	(2094.4)	(2600.0)	(2660.0)	(2491.0)	(2473.0)	(2494.0)
General Business Loans (Direct)	218.7	205.1	114.8	85.5	100.3	100.0	0.0	0.0	0.0
Handicapped Loans(Guaranteed)	(0.3)	(1.7)	(0.8)	(1.6)	(5.0)	(5.0)	(5.0)	(5.0)	0.0
Handicapped Loans (Direct)	19.9	25.0	13.1	14.9	20.0	24.0	14.0	15.0	0.0
Economic Opportunity Loans (Guaranteed)	(24.5)	(20.4)	(13.4)	(30.5)	(60.0)	(60.0)	(57.0)	(56.0)	0.0
Economic Opportunity Loans (Direct)	63.2	49.0	21.8	16.5	45.0	45.0	24.0	24.0	0.0
Energy Loans (Guaranteed)	(11.3)	(7.3)	(1.3)	(3.2)	(15.0)	(15.0)	(14.0)	(14.0)	0.0
Energy Loans (Direct)	14.4	6.7	1.2	0.4	3.0	0.0	0.0	0.0	0.0
Veterans Loans (Direct)	0.0	0.0	0.0	6.4	25.0	25.0	19.0	19.0	0.0
Management Assistance	22.1	19.5	29.4	33.1	39.5	39.1	19.2	19.3	9.8
Sec. 501 Program	0.0	0.0	0.0	0.0	2.0	3.0	0.0	0.0	0.0
SBDC Program	3.9	8.1	11.6	15.4	28.5	28.5	33.5	35.0	27.0
Sec. 502 Dev. Company Loans (Direct)	44.7	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TENNESSEE VALLEY AUTHORITY									
Economic & Comm. Resources	12.4	11.2	16.0	18.1	20.0	22.5	14.0	11.7	0.0
DEPARTMENT OF TRANSPORTATION									
Local Rail Service Assistance	82.6	47.4	28.0	22.0	25.2	23.2	19.3	10.0	0.0
Sec. 18 Mass Transit Grants (100 % rural)	57.1	73.2	74.3	77.2	79.2	81.5	63.0	75.0	0.0
Aircraft Purchase Loans	(650.0)	(429.0)	(201.5)	(102.5)	(0.7)	0.0	0.0	0.0	0.0
Appalachian Highway Systems	228.7	210.2	107.6	116.1	110.0	104.3	61.7	71.0	0.0
Secondary (Rural) Highway System	772.9	443.1	307.0	602.3	500.0	500.0	650.0	305.0	500.2
Payments to Air Carriers(Local Air Service)	95.0	114.5	86.1	52.1	46.3	46.3	20.0	0.0	0.0
DEPARTMENT OF TREASURY									
General Revenue Sharing	6054.9	4569.9	4566.7	4566.7	4566.7	4566.7	4100.0	0.0	0.0

NOTES: Brackets () indicate Loan Guarantee Authority (e.g., EDA Loan Guarantees)
n.a. indicates not applicable or not available.
* Year-round AFDC-based program proposed.

Source: National Association of Development Organizations

FEDERAL BUDGET COMPARISON, FY 1980-1988, RURAL PROGRAMS

	1980	1981	1982	1983	1984	1985	1986	1987	Proposed 1988
DEPARTMENT OF AGRICULTURE									
FmHA									
Water & Waste Disposal Grants	290.0	200.0	125.0	300.0	90.0	115.0	109.4	109.4	0.0
Water & Waste Disposal Loans	(700.0)	(750.0)	(375.0)	(600.0)	(270.0)	(340.0)	(325.4)	(325.4)	0.0
Community Facility Loans	(240.0)	(260.0)	(126.2)	(130.0)	(130.0)	(115.0)	(95.7)	(95.7)	0.0
Business & Industry Grants	10.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Business & Industry Loans	(1873.0)	(741.0)	(300.0)	(300.0)	(300.0)	(61.4)	(95.7)	(95.7)	0.0
Fire Protection Grants	3.5	3.5	3.3	3.3	3.3	3.3	3.1	3.1	0.0
Planning Grants (Sec. 111)	6.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rental Housing Loans	(881.3)	(842.5)	(953.7)	(802.0)	(940.0)	(983.3)	(669.9)	(669.9)	0.0
Resource Cons. & Develop. (RC&D) Loans	(1.0)	(2.0)	0.9	1.2	4.0	0.5	1.9	1.2	0.0
SCS									
RC & D Projects	32.0	34.0	26.5	30.7	26.0	26.3	25.0	25.0	10.0
APPALACHIAN REGIONAL COMMISSION									
Total Non-Highway Programs	126.6	119.9	62.1	83.0	49.1	59.3	32.7	29.4	0.0
Research, T.A., Other	2.6	1.9	2.8	2.0	2.5	4.0	1.0	1.0	0.0
Local Development Districts	5.7	6.0	4.5	4.0	4.0	3.5	2.0	2.0	0.0
Jobs & Private Investment	n.a.	n.a.	n.a.	54.0	27.3	28.4	12.2	20.5	0.0
Distressed Counties Program	n.a.	n.a.	n.a.	15.0	17.6	17.8	3.2	5.9	0.0
Health Finish-up Program	n.a.	n.a.	n.a.	8.2	4.1	3.5	0.0	0.0	0.0
DEPARTMENT OF COMMERCE									
EDA									
Planning Grants	33.6	23.9	24.7	27.0	27.0	26.6	25.0	24.0	0.0
Public Works	260.7	257.9	129.9	229.9	170.0	156.0	107.2	122.4	0.0
Economic Adjustment Grants	95.9	12.6	33.0	33.0	33.0	33.0	24.9	24.0	0.0
Technical Assistance	30.7	26.4	7.9	7.5	8.0	8.2	7.7	7.0	0.0
Research & Evaluation	4.2	2.7	1.6	2.0	2.0	2.0	1.9	1.0	0.0
Direct Loans	116.4	54.1	0.0	17.0	18.1	0.0	0.0	0.0	0.0
Total Program Funds	531.5	377.6	197.1	316.4	258.1	226.0	166.6	180.4	0.0
Loan Guarantees	(425.0)	(425.0)	(150.0)	(20.0)	(150.0)	(150.0)	(150.0)	(150.0)	0.0
Salaries & Expenses	40.8	39.7	25.0	27.6	27.9	28.4	24.9	25.0	0.0
REGIONAL DEVELOPMENT (Title V)	109.4	47.7	0.7	0.0	0.0	0.0	0.0	0.0	0.0
ENVIRONMENTAL PROTECTION AGENCY									
Construction Grants	4900.0	5100.0	3400.0	2430.0	2435.0	2400.0	1774.2	1200.0	2000.0
DEPARTMENT OF HEALTH AND HUMAN SERVICES									
Community Services Block Grant(1980-81 CSA)	550.5	542.3	348.3	375.1	348.0	368.1	328.6	335.0	310.0
National Health Service Corp.	77.5	92.3	88.4	88.3	65.3	59.7	58.5	47.0	0.0
Rural Development Loan Fund	20.0	7.7	0.0	0.0	10.0	0.0	0.0	0.0	0.0
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT									
Comm. Dev. Block Grant (CDBG)(30% rural)	3862.0	3694.6	3456.0	4436.0	3468.0	3468.0	2998.0	3000.0	2599.0
Urban Dev. Action Grant (UDAG)(25% rural)	675.0	675.0	473.7	448.0	448.0	448.0	315.0	225.0	0.0
Rehabilitation Loans (312)	214.2	132.3	49.9	44.9	132.1	0.0	72.0	200.0	0.0

The CHAIRMAN. Thank you very much, Mr. Page.

Dr. Schmidt and I have known each other throughout the 13 years I have been in the Senate. He has been both a formal and informal adviser on rural matters in Vermont and Washington. I appreciate your being here.

STATEMENT OF DR. FREDERICK SCHMIDT, DIRECTOR, CENTER FOR RURAL STUDIES, UNIVERSITY OF VERMONT, BURLINGTON, VT

Dr. SCHMIDT. Thank you, Senator, and I, too, welcome the committee to Vermont. I will make my remarks short. Although I represent a number of the land-grant research people sitting in the audience as well as people who are here from the University of Vermont's Extension Service, my comments today come from a recent experience as a local official in the Town of Shelburne, Vermont. In that capacity, I seek to both summarize and elaborate upon some of the comments that Ann Dixon just made.

RURAL COMMUNITIES

The strength of rural communities: There are at least 26,000 rural communities in the United States. Even though they hold only one-quarter of the Nation's population, rural communities represent at least three-quarters of the governmental jurisdictions in this country. That is a large constituency, a potentially powerful organization that I'm sure this committee is well familiar with.

Six characteristics influencing life in the rural area:

One, the traditional lack of equity that Chris Page just mentioned; the disproportionate spending of funds on a per capita basis in the urban instead of the rural areas.

Secondly, the increasing environmental awareness of the population and the decisionmaking. A good thing, certainly, when you try to preserve our environment, but to many of us on a local level, it introduces a new set of regulations. New sets of technology are called for, and new forms of assistance are called for. Many of us, as volunteers—local government as you all know is staffed by volunteers—do not have the capacity or the information at our fingertips to answer pressing questions that rapidly emerge concerning the environment.

Third, the crisis, the problems and the progress in agriculture. We have heard all morning about agriculture. A critical relationship exists between agriculture and the rural community. Again, you all know that at least one-quarter of our rural communities are in agriculture.

We haven't looked hard enough at the relationship between agriculture and rural communities, not only in terms of tax base, but in terms of local markets and possibly even new investment strategies. What are some things that communities can do to ease the part-time employment of off-farm employment—which has become so important in terms of stabilizing the agricultural community?

Fourth is changing demographics. Senator Leahy referred to the decline in rural community population throughout the United States, and yet one-half of the towns in the United States have had an incredible increase.

Here in Vermont, for example, our growth rate is not dramatic when compared to Florida, Colorado, or California. But when you examine Vermont in terms of Vermont's own history, about 100 years of virtually no growth to a steady increase in the last two decades of 15, 20, 30, 40 percent, it puts a whole new strain on an infrastructure, that Chris referred to, as in some cases new and some cases outdated.

Fifth, despite two decades of rapid growth, one-half of Vermont's communities have not achieved their 1880 population. This is characteristic of the mixed demographic trends in the rural area. On the one hand we have a booming town with incredible growth and expansion, others experience slow growth and others, as many as half of all rural communities, declining. All of them face different kinds of problems in terms of their infrastructure.

Finally, and maybe most seriously, we have gone through 6 or 7 years now of what is called "the Era of New Federalism." This was to change the relationship between the Federal Government and State government. This, in turn, was to impart changing relationships between the State and local government. As new regulations come down, rural communities, staffed by volunteers and underpaid town officials, face new accounting procedures, and new regulations which accompany virtually every piece of legislation. This phenomena leads me to four points that I would encourage the committee to consider.

In working on new rural development legislation that you have now, please keep these in mind. One point is stability. Just as the farm community cries out for policy stability in order to plan for the future, so too the economic development districts and the local communities need stability, especially in light of the new environmental problems that we now face. To solve these environmental problems takes long-term planning. So too, to respond to some of the increasing concerns that we have at the local level, we need stability in order to make the best use of our resources.

Second, we need flexibility in these policies. Community activities differ as greatly as agricultural activity around rural America. We have heard about fishing activities in Louisiana today from the committee, and we certainly heard about dairying in New England. These are very different kinds of community based economic activity. Just as agriculture differs one area from another, one farm from another, so, too, do rural communities differ. So we would ask for flexibility and sensitivity in policy design.

Third, consider creativity. Some of the things that Chris just mentioned in terms of turn-over moneys, indicate that no one has taken a close, long, hard look at the role of rotating loan funds. Our indications are that these do turn over seven to nine times in a two decade period. A number of programs seem to change as the administrations change in Washington, but the rotating loan funds go on and revolve in time. They have been very productive. This is just one example of creative financing in rural development. We have to look at the role of creative rural development policies.

Fourth—and this may sound self-serving coming from an academician—is a call for more technical assistance, and provision of information, including the ombudsman function that Ann mentioned. This flow of information is necessary not only in terms of technical

assistance for business, but simply in terms of demographics, market indicators and other information necessary in approaching new constituencies.

There are a number of changes going on in rural America. Sometimes they are overwhelming, sometimes they are depressing. But I think at this point, one of the things we can carry forth is excitement about the possibilities that are available to us in this era when we have the potential to communicate with one another as we never have before, through high-technology fiber optics, so on and so forth. I will end with that note.

Thank you.

The CHAIRMAN. Thank you very much to all three of you.

Our last panel will discuss nutrition and the environment. One of the pleasures of being chairman of this committee is the opportunity to discuss so many different issues.

Our committee has jurisdiction over our Nation's pesticide laws and regulations—the Federal Insecticide, Fungicide, and Rodenticide Act, which is called FIFRA.

We Americans use over 1 billion pounds of pesticide a year; a little more than 1 pound of pesticide goes into food, into our water or on us, and in the air we breathe for every single one of us in this room and across the State represented here. Some of these pesticides are used without the knowledge of their long-term toxic consequences. In fact, it has been reported that as many as 1½ million Americans could get cancer from pesticides being used.

That is why Senator Lugar and I have introduced a comprehensive set of FIFRA amendments in S. 1516, the Federal Insecticide, Fungicide, and Rodenticide Act Reform of 1987, to give EPA the direction, resources, and legal tools it needs to do its job. I have also introduced, along with Senator Stafford, legislation to more fully protect ground water from the threat of pesticide contamination. This proposed legislation, S. 1419, the Ground Water Safety Act of 1987.

Our committee jurisdiction also covers the National Forest System. As a New Englander, I'm particularly concerned about the effects of acid rain on our forest and our maple sugar industry. I have long been an advocate of acid rain legislation. I once facetiously said that my hair has gone as a result of acid rain, but the trees are fast behind. I was told that not too many people are concerned about the hair, but the trees really got their attention.

Finally, the Agriculture Committee oversees our Nation's feeding programs. Nutrition programs for children and pregnant women are a key part of our responsibility. In Vermont, 15,000 recipients benefit from the WIC Program and 16,000 Vermont households rely on Food Stamps. Our final panel will address all of these issues.

We'll start with Dr. Richard Narkewicz, a pediatrician from Shelburne. I want to first start out by congratulating Dr. Narkewicz as president-elect of the American Academy of Pediatrics, the first time a Vermonter has held this position.

Dr. Narkewicz will be followed by Nicholas Cowles, owner of the Shelburne Orchard in Shelburne, VT, where we will meet a little later on today, and Mr. David Marvin, the chairman of the Re-

search Committee of the Vermont Maple Industry Council, Butternut Mountain Farm in Johnson, VT.

STATEMENT OF DR. RICHARD NARKEWICZ, PRESIDENT-ELECT, AMERICAN ACADEMY OF PEDIATRICS, SHELBURNE, VT

Dr. NARKEWICZ. Senator Leahy, distinquished panel, Secretary Lyng, I am honored to appear before this panel today to express my views concerning the Federal Nutrition Program over which you have oversight and over which the children of this country owe a tremendous debt of gratitude to the farmers of this country.

I will do so as a practicing pediatrician in this community, a Vermont resident, and the president-elect of the American Academy of Pediatrics, a professional society of over 32,000 pediatricians who care for, but more importantly advocate for the Nation's children and adolescents.

The Supplemental Food Program for Women, Infants and Children, commonly referred to as WIC, was established by you and the Congress to provide supplemental nutrition, education and counseling and coordination with ongoing preventative care for vulnerable groups within the general population.

Participants must have low income and be at nutritional risk, which is why it is important to me as a pediatrician, because of the 3.4 million clients served last year, one-quarter were pregnant women and one-quarter were infants under the age of 1, and one-half were children age 1 to 4.

As a practicing pediatrician in this community for 22½ years, I believe I serve a representative cross-section of the community. At any one time I have 15 to 20 percent of my practice enrolled as WIC clients.

When I go to the newborn nursery, and examine my babies and go in to talk with the mother, I actually breathe a sigh of relief to find out they are on the WIC Program. I know we have a mother who is healthier, more nutritionally sound and health-conscious about such matters as smoking and alcohol. I know I will get a bigger baby who will get breast-feeding support or a full year of good, nutritious, iron-fortified formula. This infant will more likely come in for health assistance and get immunized.

The bottom line of the WIC Program to me is that the people of the highest risk are targeted to benefit the most. While the WIC Program nationally serves much less than half the eligible, Vermont serves 80 percent of those financially eligible and 42 percent of all pregnant women in Vermont received WIC last year. The nutritional supplements, nutritional and health counseling represent an exemplary program, a true partnership between the Federal Government, the State health department and the private and public health sector.

I credit the success of this program to the leadership of our pediatric colleague, Dr. Roberta Coffin, our Vermont Commissioner of Health.

While our Nation is caught up in fear and concern over AIDS, we must not lose sight of our tremendous problem of infant mortality.

In June 1987 there were 36,000 cases of AIDS. Of these, 559 are in children, yet Mr. Chairman, 40,000 babies are dying each year of potentially preventable causes, as the United States ranks 18th of the industrialized nations with an abysmally high mortality rate of 10.8 deaths per 1,000 live births. The basic cause of these deaths are low birth weight infants delivered to high risk mothers with inadequate care to mother or child.

What does this have to do with the WIC Program? Based on what we know of the WIC Program, it targets the same high-risk groups. We get bigger, healthier babies from adequately cared for mothers; we get children who are in the mainstream of medical care. Thus WIC is more than a supplemental Federal program. We have a program designed to combat the No. 1 health problem in infants, the unacceptably high infant mortality in the United States.

I submit one of the reasons Vermont has the third lowest infant mortality rate in the Nation is its excellent WIC Program. I therefore respectfully request your full support of the WIC Program, and encourage all of us to work hard that more of those who are eligible for care are served.

The Academy has offered to Assistant Secretary Bode the resources of our nationally recognized AAP Committee on Nutrition and our department of research to help design a more effective evaluation of WIC. We also pledge our organizational support to work on a State-by-State basis with each individual program to seek improvements.

Finally, I wish to thank this panel, and in particular, the leadership of its chairman, Senator Patrick Leahy, for allowing this discussion. I particularly commend this panel for attempting to meet the needs of mothers and children. This is a time when more and more mothers and children are slipping into poverty, a time when the voting public seems less concerned about these problems, and of course children have no vote.

Although children are only 33 percent of our population, they are 100 percent of our future, and we need them to be healthy.

I thank you.

The CHAIRMAN. Thank you, Doctor.

I might say that one of the things I have enjoyed the most in the 13 years I have been on this committee is working with the nutrition programs. While I'm not the expert that you and the other pediatricians are, every time we have had a hearing in the country, I have seen a direct correlation between healthy children, a good maternal birth rate, and the use of the WIC Program in the State. My predecessor, Senator Aiken, helped start the WIC Program. One reason we had such a heavy involvement was that we used Vermont as a test case years ago when it first began.

Mr. Cowles, glad to have you here.

STATEMENT OF NICHOLAS COWLES, SHELBURNE ORCHARDS, SHELBURNE, VT

Mr. COWLES. Thank you. I'd like to start by saying that I feel very acknowledged having all of you here to listen to us.

I'm an apple grower, and over the last 4 or 5 years, we have developed a very low pesticide program in our orchard, and it's been a slow steady process. Basically, the point is that it is definitely a possibility for growers to grow fruit with a lot less pesticides than what has been taught to us in the past. I say "taught to us." One of the big obstacles that we have come across is the training I have gotten from my father, and also the pesticide people who have sold us the pesticides in the past have been a very strong element in the whole process of growing apples.

Anytime we have had a problem in an orchard those people have been there, they have very immediate effective solutions to any of the problems that come up in an orchard, and thus have given us a way of dealing with pests that we haven't otherwise, or we haven't got any other teachers to show us other innovative ways.

Recently there have been other innovative ways of dealing with pests that have come to light that we have been able to learn about, and part of this has come through the extension service which has been very helpful.

But the point is that it's become possible to grow apples with less use of pesticides.

I don't necessarily represent the apple industry in the State, but I do represent, I believe, a large number of people in the State, a very fast-growing number of people who are concerned about what they eat, concerned about the Earth.

I feel that there is quite a bit of anger from these people, and given that what they have been given as far as press coverage of different situations that have arisen in the past, harmful situations that have come about through our food chain, that the press has jerked all of us around a little bit. Given the high pollution in the State that has come about, and also given the high rate of cancer that we are all dealing with, I think that people, particularly that I deal with in this area, people who I sell apples to, have become concerned and angry. A certain amount of mistrust as far as what they read on labels and what they hear from us. What they get from the text that has been done with the chemicals. These people have got to the point where they are not sure what to believe anymore. I think there is an overall fear that people have that they are going to wake up 10 years from now and realize that they have been, in fact, poisoning themselves or poisoning their children. I think that it is a very real fear that a lot of people do have.

I think that one solution could be increased pesticide testing by nonbiased business organizations. But, also, hand-in-hand with that, I see increased education to the grower and also to the consumer as being a very, very important part of this. I think the consumer deserves to know a lot more about what's going into their foods, and that the growers, as growers, we need to have a little more research and help figuring out other ways to deal with pest problems that are nonchemical.

In closing I would like to say that the extension service here in Burlington has been very innovative and very good, wonderful in the last couple of years, though given the importance of their job and the responsibility they carry, I feel they have been very underfunded and understaffed.

The CHAIRMAN. Thank you very much, Mr. Cowles. I hope you will follow carefully what Senator Lugar and I are trying to do with the new pesticide amendment. I think that will address some of the issues that you have raised.

David Marvin, you are the last speaker before we open up the panel to questioning. You can tell us why our maple syrup industry has suffered 2 years of decline and any other problems that we are facing here. That is a tall order. I leave it to you to testify.

STATEMENT OF DAVID R. MARVIN, BUTTERNUT MOUNTAIN FARM, JOHNSON, VT

Mr. MARVIN. Thank you very much, Mr. Chairman, Mr. Secretary, and members of the committee.

I wish I could tell you why the weather has been so bad the last 2 years, but I can't.

I'm here as a tree farmer. My wife and I own and operate a mountain farm out in Johnson, Vermont, and we produce maple syrup and maple products and Christmas trees.

I hope what I have to say to you is useful to you and can make a difference, because I'm very concerned about the effect of air pollution on my maples.

For us in the maple syrup business, this is a concern that is not just science or academics, but is a very emotional and economic issue.

My family has a tradition of producing maple syrup, a heritage of working in the maple industry, and I have bank payments that total over $4,000 a month which depend on maple income to be met. So, you can see, we have an economic and emotional stake in this. If the maple decline should continue or worsen, we have got a real problem. We are just part of a growing industry, a small part of an industry that is at its zenith since World War II. And this is, I might add, in contrast to a lot of agriculture in New England and eastern Canada.

As immediate past president of the International Maple Syrup Institute, I can tell you that sugarmakers from Minnesota to Nova Scotia and Indiana to Maine are very much concerned to see their resource at risk. Extraordinary numbers of trees of all age classes are dying. This is reported throughout the Nation of maple, although the problem is most evident in Quebec, Vermont and northern New York.

There is a great deal of debate about the causes of the maple decline, but there is nearly general agreement that we have a severe problem. Much of the scientific inquiry of the problem results in more questions than answers. But there are some things that are different than what has been reported before. This time it occurs throughout the range of maple. It is occurring at the same time as declines are reported in other species of trees, and this decline occurs at a time when there is widespread mortality in European forests.

There are many explanations for the death of individual trees: insect defoliation, frost damage, climatic conditions that are too wet, too dry, poor management practices, and others. But none of these occur in a vacuum. They work in concert with other factors,

and they have affected maple trees for centuries. So much of what is happening today is just unexplainable by a simple answer.

Some people would say we can't draw any further inference from the European experiences with forest decline. I find that is very hard to swallow, because there are many similarities. It must be of concern to us because the losses in Europe occurred very rapidly, and when they manifest themselves, there is nothing that can be done about it. We know that any of the losses of our trees would leave us with no salvage value of the resource and a great economic loss, because we have a large equipment investment and no alternative use for it. The conservative policy is to take steps to prevent whatever the sources of decline are and the causes. A good steward does not allow his resources to be put at risk.

The only prevention for air pollution damage is to get stiff limits on emissions through mandated clean air standards. The call for this kind of action gets some people upset because it requires an economic cost without absolute proof that it will effect a reduction in the forest decline, but there may never be absolute proof of the kind these people want. The maple is a very, very complex organism which can live two centuries or more. To exclude all the variables which could affect its health in order to absolutely prove the hypothesis that air pollution is the culprit, may be impossible.

What is certain is that I cannot get anyone in the scientific community to say that air pollution is good for tree health. Even the most skeptical about the effects of air pollution on tree health think there may be a problem—they just don't want to commit themselves to any policy decision about it at present. The research being done now is building an even larger body of evidence linking air pollution to tree decline. Some of it is circumstantial; some of it is based on analysis of trends rather than an exact one-to-one correlation of cause and effect, but, after all, this is the way we judge many human health problems, and it is appropriate for trees.

To get bogged down in an argument as to whether it is a primary cause or a secondary stress or a predisposing factor to stress with air pollution completely misses the point. This is something in our power to change and we had better, before it gets worse and before it is too late. I feel we really need to keep on with research and study, but we need to do something now.

Finally, let me express myself on the economic issues as they relate to this problem. When costs in miner's jobs and higher electric rates are talked about, there is always a failure to balance the sides. The loss of maple stands is not representing a short term disallocation of resources. We don't produce a crop in 1 year; it takes 40 years to nurture a tree to production. We don't know how to restore the forest soil after its chemistry is radically altered. We can't compute the economic loss over time from the loss of our sugarbushes. We can't get going again next year like we can after a forage crop loss.

I'd like to ask, what about our jobs and our livelihood? What about the bigger question: if maple dies—how goes the rest of the forest? We shouldn't ask if we can afford clean air but rather if we can afford not to have it?

Thank you for the opportunity to express myself.

[The prepared statement of Mr. Marvin follows:]

Testimony by David R. Marvin
Butternut Mountain Farm
Johnson, Vermont 05656
July 27, 1987

I'm not a scientist or academic, I'm just a farmer producing and selling maple products and Christmas trees. I hope what I have to say is useful to you and can make a difference. I am very concerned about the impact of air pollution on the maple industry. For us in the maple syrup business this concern is not one of science or academics, but of economics and emotion.

My family has a tradition and heritage linked to the maple industry and my wife, Lucy and I have bank payments of more than $4,000 per month that depend on maple income to be paid, therefore our emotional and economic concerns. We have a great deal at stake should maple decline continue or worsen and we are just part of a growing industry. The maple industry is larger than at any time since World War II. This is in contrast to much of the rest of agriculture in New England and eastern Canada.

As immediate past president of The International Maple Syrup Institute I can tell you that maple sugarmakers from Minnesota to Nova Scotia and Indiana to Maine are worried to see their resource at risk. Extraordinary numbers of trees of all age classes are dying. This is reported throughout the range of maple although the problem is most evident in Northern New York, Vermont and Quebec. While there is debate about causes of the decline there is nearly general agreement that we have a problem.

Much of the scientific inquiry results in more questions than answers, but some things are clear. While maple decline has been reported before it is different now: it is throughout the range of maple; it is occuring at the same time declines are reported in other species; and this decline occurs at a time when widespread mortality is reported in European forests.

There are many explanations for the death of individual trees: insect defoliation, frost damage, too dry or too wet, poor management practices and others. These don't occur in a vacuum. They work in concert with other factors and have affected maple trees from time to time for centuries without the results we see today. So much of what is happening

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can't be explained.

Some would say that no inference can be drawn from the European experience with forest decline. I find that hard to swallow because there are many similarities. It must be of concern to us because the losses there occured very rapidly and when the problem manifests itself it is too late to do anything. We know that any losses of our trees would leave us with no salvage value and great economic loss because our large equipment investment has no alternative use. The conservative policy is to take steps to prevent the decline causes. A good steward does not allow his resource to be put at risk.

The only prevention for air pollution damage is to get stiff limits on emissions through mandated clean air standards. The call for this kind of action gets some people upset because it requires an economic cost without absolute proof that it will effect a reduction in the forest decline we see. But, there may never be absolute proof of the kind they want. The maple is a very complex organism which can live two centuries or more. To exclude all variables which could affect its health in order to absolutely prove the hypothesis that air pollution is the culprit may be impossible.

What is certain is that I cannot get anyone in the scientific community to say that air pollution is good for tree health. Even the most skeptical about the effects of air pollution on tree health think there may be a problem - they just don't want to commit to any position at present. The research being done now is building an ever larger body of evidence linking air pollution to tree decline. Some of it is circumstancial, some of it is based on analysis of trends rather than exact one to one correlation of cause and effect, but this is the way we look at many human health problems.

To get bogged down in academic arguments about whether we have a primary cause here or a secondary stress or a predisposing factor to stress completely misses the point. This is something in our power to change and we had better before it gets worse - a pessimist would say too late! Let research and study go on, but let's not wait before we do something.

Finally, let me express myself on the economic issues. When costs in miners jobs and higher electric rates are mentioned there is always a failure to balance the sides. The loss of maple stands does not represent a short term disallocation of resources. We don't know how to restore the forest soil after its chemistry is radically altered. We can't compute the economic loss over time from the loss of our sugarbushes. This isn't like a forage crop loss where we can get going again next year. What about our jobs and livelyhood? What about the bigger question: if maple dies - how goes the rest of the forest? We shouldn't ask if we can afford clean air but rather if we can afford not to have it.

The CHAIRMAN. Thank you very much.

I would like to ask Commissioner Allbee to join us. I'm looking at Roger Allbee over here. For those of you who don't know the Commissioner, he has an identical twin brother, and we are constantly going through this. They are both here, and the reason that they are both here is that if the Commissioner cuts anyone off or fails to recognize anybody who gets very angry at him, he hopes they will take it out on his brother instead.

Now let me just ask for a little bit of cooperation because this format is so different. When you are called upon to speak, give your name as clearly as possible and your address. The reason for that is because what you say will be part of the transcript of the hearing. This young woman who has been doing the most work of all of us over here in transcribing the record has to be able to take down what you say. We will be sending you a copy of your transcript for any corrections or additions you might want to make to it prior to its going into the final record. It will then become a part of the record of the U.S. Senate. I want you to make your remarks as clear as you can and we'll know where to send it. Ron, it's yours.

Commissioner ALLBEE. I just want to ask—I will try to recognize you—that you be as concise as you can, to state who you are, who you represent, and remember that other people do want to testify this afternoon, to make a statement.

The record will stay open and if I do feel that you are too long, I will cut you off.

Who would like to be first?

STATEMENT OF WILLIAM DARROW, SENIOR MEMBER, GREEN MOUNTAIN ORCHARDS, PUTNEY, VT

Mr. DARROW. I'm William Darrow of Putney, VT. Again, welcome, Mr. Secretary, Mr. Chairman and members of the committee. I'm a genuine environmentalist, and I'm a pesticide user. I'm a senior member of the Green Mountain Orchards, a family owned and operated apple farm, and like Jack Starr, I have been at it 50-plus years.

We love our acres of orchard and we use pesticides there. We love our acres of surrounding woods, and we love our wildlife on the farm. We have a deer herd, 10 or 15, trout, ducks in the pond, 15 or 20 turkeys in the woods.

We are living proof that Vermont apple growers have a superb record of chemical use, and I would like to remind these Senators as they rewrite the FIFRA Act, and they are in deep and heated and confusing controversy about chemical use, remember how beautiful a day that day in Vermont was, and remember that you spoke to an apple grower who has been actively spraying since 1937. I have opened tons of chemicals with these hands you see here, using these chemicals with discretion, living in this orchard, raising five sons, one of whom is here now. My grandchildren live in the house where I grew up. Our doctors say we are superb examples of good health. Just remember that when you are in that terrible controversy and one Ph.D. tells you something is carcinogenic and the other Ph.D. says it's not.

The CHAIRMAN. Senator Fowler has a question.

Senator FOWLER. I'm very interested. Can I ask this gentleman and Mr. Cowles, if he didn't get away, since he has testified that he uses fewer and fewer pesticides and has been successful, for either of you gentlemen, are there any rewards in the marketplace, economic rewards for using fewer pesticides?

Mr. DARROW. I'd like to address that. New England is probably outstanding in using IPM, it's called Integrated Pest Management. And we, with the cooperation of the extension service in Vermont, have been deeply involved in pest management. We trap insects and we count the inspect pests in the orchard. We have established thresholds of action. We do not spray, because spray costs a lot of money, unless it is absolutely necessary. We balance off the predators that are working on the insect that is bothering us, we count the predators, we count the insects giving us the problem, we look at the traps and we plot our course very, very carefully. We have cut down a lot on our sprays, and we just don't use sprays willy-nilly because they cost a lot of money.

Commissioner ALLBEE. Does that answer your question, Senator?

The CHAIRMAN. I think Mr. Cowles is going to want to answer.

Mr. COWLES. I think what Bill Darrow is saying is true, that there is a lot of insect watching and that Integrated Pest Management has been used in the State. It has been very effective, and it's all a matter of degree. But I think, to answer your question, that it's not necessarily more cost effective to not use chemicals.

Commissioner ALLBEE. Does the market reflect——

Mr. COWLES. I don't think—I haven't, other than just a personal connection with the people that we sell apples to, certainly the store doesn't give us a better price for low sprayed apples. No, there is not, nothing more than the personal connection that we feel.

Commissioner ALLBEE. Thank you. Any others? Up here.

STATEMENT OF CHARLES RUSSELL, DAIRY FARMER, RANDOLPH CENTER, VT

Mr. RUSSELL. My name is Charles Russell and I'm a dairy farmer from Randolph Center, and I guess I'm representing myself, and Randolph Center is my address.

First of all, I want to thank you all for coming, as everyone else has. Senator Leahy, you obviously have had a great deal of influence in getting these gentlemen here, including Secretary Lyng.

What I have to say is somewhat emotional and I hope you will bear with me.

Over the past 15 years, the structure of American agriculture, America's heartland, has gone through great change. We, the stewards of a vast soil base, have stood in awe at what we have accomplished and the changes we have gone through. But today I feel that we stand in awe of a hopelessness, in that the powers, the very powers that encouraged us to increase our yield now stand over us in judgment.

When the Nation's policymakers told us to gear up to feed the insatiable appetite of a hungry world, we did what you said. You did not tell us that you were going to loan money to Brazil, to Argentina, to Mexico, to other Third World nations so that they could

produce food and compete with us. You didn't tell us that those very loans would reduce the money supply in this country and force our capital hungry industry to pay even higher and higher interest rates.

I ask you, would Ford Motor Company lend General Motors money to produce more cars at a lower price? No. You didn't tell us that the possibility was that you would treat them better than your own when their default became imminent. You didn't tell us in the end it was quite possible that American farmers will be sold out in favor of protecting banking interests in the Third World in the form of hundreds of millions of dollars worth of bad loans.

As a former director of the St. Johnsbury Association of Farm Credit, I can quickly see that the reason that the Farm Credit System is in trouble, and they are in big trouble, is because we, the American farmers, are in big trouble. We are in a dilemma. We are faced with a double jeopardy. We are producing more food at a lower price because of our competitors in other nations who this country is lending money to and as a result, charging us a higher interest rate. We're stuck between a rock and a hard place.

And now I'm to ask you, please, don't ask us to pay for past agriculture policy misjudgments. It may be that none of you made those misjudgments, even you, Senator Leahy, who have been there, I think you said, 12 years. Some of these policies have been made long before. But don't ask us, the American farmer, to pay for those misjudgments in the form of transferring our funds to weaker Farm Credit districts, and please don't ask the American farmer to finance bad policy by reducing our prices as a disincentive to produce. We have already made the investments necessary.

As we look across a great expanse——

Commissioner ALLBEE. You'd better wrap it up.

Mr. RUSSELL. All right. I think I would like to address the pesticide issue which several have and just read you this short letter to a news commentator commenting on pesticides.

"Congratulations on finding one of life's problems where farmers find themselves between a rock and a hard place: Pesticides. Although I have taken an activist role, et cetera, I feel that pesticide usage takes in its wake no winners, including farmers. I use pesticides, I use them as infrequently as I possibly can and monitor my weeds, et cetera. But I am concerned for my own health as well as the chemical going through the food chain to the final product."

And I will end it there with one other comment that Dr. Narkewicz made about a statement that children have no vote. And he quoted mortality rates, which I can't remember, I think he said 30,000. Now I know it is inappropriate, but I would like to remind you, I think the number is 1.2 million children without votes are taken from their mother's wombs every year. I ask you to consider that as well.

Thank you.

Commissioner ALLBEE. Any questions? Senator Lugar.

Senator LUGAR. Let me just respond for a moment on the foreign credit problem, I appreciate that as we are trying to find solutions to our own problems, we are inclined to lash out in every direction, and indeed in all of American banking, there have been some loans, principally through multinational corporations, World Bank,

IMF, to which the United States contributes, that has made some loans to agriculture in other countries.

But I think it is only fair to say that essentially the purpose of the loans was humanitarian, so that the Third World countries could feed themselves somewhat better, and the impact upon our own supply and demand has been minimal, if not almost infinitesimal, except in some very rifleshot situations.

Our problems really come from our ability as a great American society to produce a great deal more than we can consume. And I want to make that point, because otherwise, we get into, I think, a discussion with regard to trade problems, international finance and so forth. And I would just assure the group today that all of this committee is bound up in the thought that American agriculture should not suffer for the mistakes of the world bankers, the IMF, and it will not. We try to insulate that as much as possible.

I would say on behalf of my colleague, Senator Leahy, he may not want to defend himself in this respect, but he has brought to our attention forcibly the good policies of Farm Credit in this region, and suggested that they not bear the burden for the entire failure of American agriculture. I think we understand that, even as we also understand it is one large Farm Credit System, which, at various times, has to help other parts of the country in trying to fashion some compromise.

Commissioner ALLBEE. I'm going to take the prerogative right now. I don't want the Senators to think we have the entire population of Vermont here today, because we do have some other people from the Northeastern area, so if there is someone from the Northeast that would like to be represented?

Mr. DELAPLAIN. I have a question for the Chairman, Senator Leahy, with regard to Secretary Lyng's opening statement.

Commissioner ALLBEE. Would you identify where you are from?

STATEMENT OF ROBERT DELAPLAIN, DAIRY FARMER, LOWVILLE, NY

Mr. DELAPLAIN. I'm a dairy farmer from New York State.

Commissioner ALLBEE. Give us your name and address.

Mr. DELAPLAIN. My name is Robert Delaplain, and I'm from Lowville, New York.

My question is to the Chairman, with regard to Secretary Lyng's opening statement where he referred to the fact that the agricultural community is turning around, net farm income is up, the Government does not want to pull the rug out from under farmers—they pulled it out from under us, now they are trying to smother us with it—do you agree with the Secretary's assessment of the situation, or do you not think it shows a total lack of understanding of the situation, or two, that they are just bold-faced lies?

The CHAIRMAN. I think the question is most inappropriate for a hearing of this nature. More importantly, the Secretary has come up here to state the administration's position, and in doing that, demonstrating that 99 percent of the U.S. Senate Democrats and Republicans are interested in working with the committee in trying to develop a farm policy that is going to work, not only for the Northeast, but for the rest of the country, an extraordinarily

difficult thing to do in a very difficult time with all kinds of economic pressures.

I compliment the Secretary for that. He does not at this stage totally agree with me nor I with him. He has shown a great deal of patience and cooperation in working with both Republicans and Democrats on this committee. I expect that to continue. And I have found the Secretary of Agriculture to be absolutely honest and straightforward in his dealings with Members of both parties.

These are difficult times. Each one of us has problems in our own States in agriculture. We want to work with the Secretary and we will continue to do so. That is one of the reasons for these hearings. You get different opinions from all the people who share their testimony today.

We will have some very strange debates and we will disagree with each other, but we will try to come out with the best legislation possible. I think the Secretary is committed to that, and I applaud and compliment him for being a member of the Cabinet. Most of us will work like mad to get 5 or 10 minutes worth of time, and when he takes the whole day off for a hearing, I think it's commendable.

Commissioner ALLBEE. Mr. Chairman, I want to say to this gentleman, you are from New York, so you don't know how Vermonters act, but we have a policy in the State that if a person's viewpoint is attacked, we give him the right to respond.

Mr. Secretary.

Mr. LYNG. Thank you. My goodness, I've had a sufficient response from the Chairman and I am grateful for that, but I would like to reiterate what I did say.

I qualified it by stating that we do have in agriculture and farmers around the country, a lot of people who are still in grave economic difficulty. No question about that. So I was pointing out though, that there was some improvement, and last year, 1986, for instance, we had the highest net cash farm income in this country.

Now, one of the reasons for that is because we put up $26 billion of Federal Government payments to farmers under the 1985 farm bill.

I predict that we will have a record net cash farm income. These figures are developed by the Economic Research Service of the Department of Agriculture which has a tradition of independence. There are no political appointees that perform this service. These are known to be very skilled and professional statisticians and economists.

The CHAIRMAN. Thank you. I might add that I think the most important thing is to try to create a situation where farmers can get a return for their product which shows the amount of labor that is put into the cost of production. That is the problem here. It frustrates me when I find a product on the shelves of our grocery store where the wrapping costs more than the product itself. I find it difficult for farmers to begin to get the kind of return on their investments they should. That is something that should unite every single one of us, to try and turn that around.

Commissioner ALLBEE. Yes.

STATEMENT OF ALICE T. EGAN, DAIRY FARMER, NORTH BANGOR, NY

Ms. EGAN. I am Alice Egan, a dairy farmer from northern New York, and I would like to correct the impression. We do have good manners, and we appreciate your coming here and holding the hearing. Thank you for the opportunity to speak.

I'm here today not only as a dairy farmer but as a mother of two young dairy farmers. My son is in partnership with me, and he has enormous debts. He bought his father out 6 years ago when prices were better than they are today. So he is facing a very serious situation, and I, as his partner, do also.

My daughter set out on her own, and she with two dogs, no husband, has a small farm. She left our partnership because she didn't like the busy farm that we had with 350 head of registered Holsteins, many acres of land, and lots of things happening. She wanted a quiet, secluded hill farm, and this girl is having a rough time. It is not easy to see a girl who has a B.S. degree in agriculture from Cornell University struggling as she is struggling, with her potential—suffering a great deal.

We in the dairy industry do not have a God-given right—and I don't just mean dairy—all of agriculture does not have a right to produce anything that we cannot sell, but we do have the right to fair competition for our U.S. markets.

Before reviewing some of the economic facts that I would like to present to you gentlemen to uphold my position, I would like to give you my summary of our problem: It's a supply management or mismanagement problem, not a surplus problem.

I'm in the Federal Order 2, the New York-New Jersey Marketing Order. The call order is back in effect again or soon to be. Milk is being taken from our manufacturers who have a legitimate commercial market, not the CCC. When you take their raw product away from them, they can no longer produce the product that is needed for the marketplace.

We had a mozzarella plant that closed over a year and a half ago. What happened? We are importing more mozzarella cheese now, aren't we? Not just that plant, but other plants, who cannot pay fluid price to supply that market need, are being threatened with closure.

Another economic fact I want to remind you of is dollars generated by agriculture turn over 7.1 times while the dollars generated by industrial purposes turn over 4 times. So this means the agriculture impact on our general U.S. economy has twice the meaning of industry, and we are talking all the time about finding new industries. Right?

From our USDA figures in milk equivalent, the current marketing year, the CCC purchases were estimated at 5.7 billion pounds was reestimated as of July 1 to 5.3 billion pounds; in a month the surplus estimate dropped .400 billion pounds.

With final buyout going in and the exceptional heatwave in the Northeast—and I will tell you right now, my girls (cows) aren't all going to recover, because any cow that is in her midlactation or late lactation will not come back up.

Unofficially, a statistician who is well-known in the Northeast, Dr. Luellen Mix, we came up with a buy up of up to 5 billion pounds by September 1 which is, of course, the trigger mechanism level. By September 30, we will be under the 5 billion.

Thus, Mr. Secretary, there will be no reduction justified for October 1 with these figures in mind. The final buyout effect won't be in full effect until November. There will be plenty of time for you to make a decision in December for January, and I would like to forecast that one won't happen either—I certainly hope not—as I have no idea how any of us, even strong advocates and workers for RCMA will know how to overcome that loss.

Our CCC purchases are down nationally 58 percent. Now broken down——

Commissioner ALLBEE. Could you summarize so other people can have a chance?

Ms. EGAN. I did want to make this one point and it is very important.

Commissioner ALLBEE. Go ahead.

Ms. EGAN. The Northeast is only 2 percent of the national total. The Midwest is 58.3, and the Far West is 38.9 percent of the national total. It definitely points out that we have a regionalization problem, not necessarily a national problem. Our utilization is up 3.7 percent, so these factors all come together.

I realize the casein implications and of course that is called a chemical for industrial purposes, but National Federation of Milk Producers said the other day in an article, almost 90 percent finds its way into the food chain in one way or another.

How long will EEC or anyone sell us subsidized products when we cannot produce enough for our own use? Another "oil crisis?" Except this time it would be food.

Our U.S. Department of Agriculture's main goal is an adequate supply of inexpensive food. But who is going to give us subsidized food if we can't produce it ourselves? No one is.

You are the Senate Committee on Agriculture and the Secretary of Agriculture. You are responsible for the game plan, and we must live by the rules, we, the dairy farmers. All we ask is that you play the game fairly. Considering the economic facts, mainly from our own USDA, any lowering of the milk price support at this time is decidedly not playing the game fairly.

[The prepared statement of Alice T. Egan follows:]

STATEMENT OF ALICE T. EGAN, DAIRY FARMER
NORTH BANGOR, NEW YORK

I'm here today not only as a dairy farmer but as a mother of two young dairy farmers--both of whom are graduates of the College of Agriculture and Cornell University; both of whom are intelligent, very hard working and economically minded. I know what today's economics are doing to them.

We in the dairy industry do not have a god given right to produce anything we can not sell, but we do have the right to fair competition for our U.S. markets.

Before reviewing the economic facts with you, I'd like to title our problem in the dairy industry a Supply Management Problem, not a surplus problem.

Example--in Federal Order 2 (NY-NJ), the "Call Order" is already in effect. We have a storage of fluid milk and must remove from our manufacturers a percentage of their milk, thus making them short of milk to fill their orders for manufactured products for a commercial market (not CCC). If, in fact, the "Call Order" could call in milk (fluid) from other areas with a real surplus, our manufacturers would not be adversely affected.

Economic Facts:

1) Dollars generated by agriculture turn over approximately four times. Agricultural dollars have nearly two times the impact on the economy--a very important factor to remember.

2) From USDA -- (Milk lbs. equivalent):
During the current marketing year, CCC purchases (estimate as of June 1) 5.7 billion lbs. and the revised estimate as of July 1 was 5.3 billion lbs. (Final buy-out is June 1-September 30). With final buy-out and the production loss resulting from the record heat wave, a percentage will not be recovered as mid and late lactation cows will not recover production.
The unofficial estimate as for August 1 is approximately 5 billion lbs. The unofficial estimate for September 3 is under 5 billion lbs.
Thus no support reduction is justified for October 1 as 5 billion lbs. is the trigger amount.
The final buy-out effect won't be felt until October and November, in plenty of time for a December 1 decision on the January support.

3) USDA figures--October 1986-July 1, 1987
CCC purchases--on milk equivalent basis:
Nationally they are down 58 percent compared to the previous year.
The figures broken down are: North East - 2 percent of national total; Mid-West - 58.3 percent of national total; Far West - 38.9 percent of national total.

This definitely shows the surplus to be a REGIONAL problem, not a national problem.

4) The total lbs. of milk production for the 1986 marketing year was 145.6 billion. The estimated total lbs. of milk production for 1987 is 140.7 billion (not considering effects of final buy-out and production loss due to the heat wave). Production could be as low as 8.9 billion lbs. At the same time, utilization from January to April 30, 1987 was up 3.7 percent nationally.

5) Effects of casein imports:
The estimated 1987 imports are 180-200 million lbs. 180 million lbs. of casein are equal to 4,536,000,000 lbs of milk.

I realize casein is imported as a "chemical" for industrial purposes when, according to the National Federated Milk Producers, as much as 90 percent finds its way into the food chain by the way of whipped toppings, frozen "cream" pies, pizzas, in dog and cat food, in place of dried milk, etc.

I am also aware we (U.S.) have no casein plants and can't compete economically with EEC nations in production of casein due to their heavy subsidization of milk.

How long will EEC or anyone sell us subsidized products when we can not produce enough for our own use? Another "oil crises?" Except this time it would be food.

Our U.S. Department of Agriculture's main goal is an adequate supply of inexpensive food for our people. How long will there be an ADEQUATE supply of "cheap" food as we force our young farmers out of agriculture, and make it impossible for others to come in--and then must depend on overseas' sources for food?

You, the Senate Committee on Agriculture and the Secretary of Agriculture, are responsible for the "game plan." We must live by the "rules." (We the dairy farmers.)

All we ask is that you play fair with us.

Considering the economic facts, mainly from USDA, any lowering of the milk price support is decidedly not playing the game fairly at this time.

Thank you.

The CHAIRMAN. Thank you. We are about a half hour over our schedule. We are going to spend some time with the whole committee on a dairy farm in the area this afternoon, and in meeting with some dairy farmers. Why don't we take about 5 or 10 more minutes of questions? I would ask everyone to keep their remarks very short because we will have to stop at that time, so whatever time you take comes from others who would like to speak.

STATEMENT OF PAUL EDDY, DAIRY FARMER, HINESBURG, VT

Mr. EDDY. I am Paul Eddy from Hinesburg, VT. I have an 80-cow dairy farm. It has been a family farm since 1927, and my father and grandfather bought it with the help of a Federal land bank loan, and the Farm Credit System has remained the principal form of credit since that time.

Today I'm testifying on behalf of the users of the Champlain Valley Farm Credit System. The Champlain Valley is primarily dairy, with significant apple, timber, and maple products. Our association covers the eastern half of Vermont and two counties of New York.

I want to remind you of the basic difference between the Federal Land Bank Association and the Farmers Production Credit Association. The PCA is a primary lender and they are responsible for any loan losses they have. It is therefore understandable that in this Farm Credit System problem people seemed to be surprised that is where the reserves were. That's where they have to be. The PCA is a primary lender responsible for loan losses.

I want to point out three different factors here. With our reserves intact, which they are now, the PCA took a 20 percent cut in operating costs this year as compared to our 1986 costs, and we are charging competitive interest rates.

Those are the three factors that we are facing and we are projecting a $100,000 dollar loss in our PCA this year. We have done what we can.

Now we are supporting the System, we are being good neighbors, but there is a limit as to how much we can do and still support ourselves. You don't want some poor relations up here you have to support. Let us support ourselves, contribute to the System. Give us a law that we can live with and stay within the System and help support it, not have to back away and look somewhere else.

Senator PRYOR. What would, if I might ask, be the lending rate at this time?

Mr. EDDY. We have a differential rate. It varies from 8.6 to 11, depending on the size and the quality of the loan.

Senator PRYOR. I saw an advertisement in the Little Rock, AK, Gazette just a few weeks ago, if you wanted to buy Federal land bank land that's been foreclosed, whatever, you could go in there for 7 or 7½ or 8 percent and buy this land, where the other users were paying 12 and 13 percent, and I see a great dissatisfaction with this double-ended system we have out there.

Mr. EDDY. I'm a farmer from this area, and as to what they are doing down South, I'm not sure.

Senator PRYOR. Thank you.

[The prepared statement of Mr. Eddy follows:]

PREPARED STATEMENT OF PAUL EDDY, HINESBURG, VT

I want to continue the statement that I was unable to complete because of time constraints at St. Michael's on July 27.

The most important point I want to make is how much the individual farmer stockholder of the Springfield District has already contributed to the Farm Credit System and the hardship that will be placed on farmers in this District if FCA does get our reserves.

By any standards, I have a modest debt with Farm Credit for an 80-cow farm. Certainly we have many farms with a debt per cow double in some cases triple my own.

My portion of the cost of the money already committed to the troubled areas of the country is $800 per year. If our PCA reserves are taken, my portion of that cost would be $1,500 per year. This total of $2,300 per year would recur yearly, as we will have to borrow the money to replace what we send to the rest of the System. I cannot imagine farms of my size having to provide that much and in many cases double and triple that amount.

The increased spread in bond costs over treasury is three-quarters of a percent and that alone will cost me $1,100 per year if allowed to continue.

We, in the healthy Districts, want to stay and support Farm Credit. Don't pass legislation that will drive us away.

The CHAIRMAN. I think I might note the Farm Credit System is going to be the most difficult thing we are going to have to tackle this year. Senator Lugar and I speak on a very regular basis with our staff and with the other Senators in putting that together. I think last week we had 35 people alone trying to put that piece of legislation together.

Commissioner ALLBEE. We'll take two more people. That is fine. Starting in the back row.

STATEMENT OF YVON TETREAULT, DAIRY FARMER, NEW HAVEN, VT

Mr. TETREAULT. My name is Yvon Tetreault and I'm from New Haven, VT, and I'm a brother to Albert, and Senator Leahy probably knows him.

The CHAIRMAN. There is quite a resemblance between the two of you. Your brother is a TV star now.

Mr. TETREAULT. Well, I was on Channel 3, too.

The CHAIRMAN. That makes you an international star. It will stray into Canada.

Mr. TETREAULT. Well, I'd like to congratulate Chairman Leahy and Secretary Lyng and the rest of the panel for coming.

I will say, off Omaha Beach I was born a farmer. Hell was being blown out of us that night, and I asked God, "Could you spare me so I can become a farmer?" And he did. I became a farmer. And also a veteran. I could not get help for this back operation, no insurance, and it was hard.

I went on the buyout, the famous buyout, which I think whoever thought that up, the Father of the Buyout in California, should do some penitentiary. Because, you know, when those cows walked out of that barn, I cried, because I raised those cows.

I put my bid in at $20 a hundredweight, I'm not afraid to admit it. I thought it was a fair bid. I got it. But then there was a point there that they were going to take away the diversion and steal it away from us or would they eventually give it to us? Well, they stole it. And I hope that some consideration comes from that because I have considered a class action suit for that.

So we went to beef farming, and we are getting more help from Canada than from anywhere else, and the Soil Conservation Service has helped me a lot. They helped me build a yard for that beef operation. They are now building a diversion ditch to help us out. I would like to ask Secretary Lyng, could we have some consideration for that 30 percent that we have lost through that buyout, because it wasn't enough to pay for that 5 years. I got 3½ more years to go. Another question I'd like to ask Secretary Lyng, when this 5 years is over, are they going to give us the right to go back into dairying or take and slam us with something else?

Thank you.

Commissioner ALLBEE. Thank you. Mr. Secretary, would you like to answer?

Mr. LYNG. In the case of the buyout, the law is clear. That is over when those final payments are made and there will be no reopening of those contracts.

At the same time, I think I can assure you the law is also clear, at the end of 5 years, there is nothing we could do, if you wanted to, to prevent any participant from going back into business.

Commissioner ALLBEE. I have one other person. We will get the answer for you.

Mr. TETREAULT. I got to leave because of my back.

The CHAIRMAN. Mr. Tetreault, thank you for being here.

STATEMENT OF DAVID MISKELL, ORGANIC VEGETABLE FARMER, SHELBURNE, VT

Mr. MISKELL. My name is David Miskell. I'm an organic vegetable farmer for Shelburne Farms. Those of you who are going to the luncheon at Shelburne Farms will enjoy some of my vegetables. I don't want to speak on vegetables.

I came to Vermont because of the rural atmosphere and beauty of Vermont. I think that is why so many people who are tourists come up here. The buyout, the diminishing dairy farms are going to really affect that.

So one of the things that I'm working on is venison production, together with Tony Perry of the Perry Restaurant Group. We are working to have the law changed in Vermont to permit venison farming and investigating the economics of it. We see this as a real possible diversification for dairy farmers who have gone out of business and dairy farmers who are going to go out pretty soon.

In the town of Charlotte there are now 15 active farms. The town committee that I'm on in agriculture estimates in 3 years there will be 3 active farms. Yet the prime reasons for living in the town of Charlotte is open space, so something needs to be done.

I have two questions to ask of the committee. One question is, in the operation of a startup, one of the real problems is money for research, money for—what used to be called seed money which is a bad word nowadays. The Grassley bill has been approved as far as I know. The problems at this point, to my recollection the last time I investigated it was that it is held up on how the money is going to get to the people that need it.

I would like to know what status that bill is in and what is the status of the funding so it can come to the different States and come directly to the farmers?

The other question is are there plans in the rural—and I don't remember the name of the bill that was just passed—are there plans on how to help farmers who have just gone out to go into other diversifications in agriculture?

The CHAIRMAN. Rural development legislation. I don't know the specific answer to your question referring to the Grassley bill. Senator Grassley is not a member of this committee, and I wish he could be here to give you the answer. I will ask him about that tomorrow when I'm back in Washington.

Commissioner ALLBEE. Can we just take one more?

The CHAIRMAN. This will be the last one. We have a number of farmers waiting to meet with us on the farm, and we told them we will be there. I see a number of farmers who expect to meet with us later, unless Roger takes too long. I don't want to hurry you, Roger. You just take your time.

STATEMENT OF ROGER V. KAYHART, DAIRY FARMER, VERGENNES, VT

Mr. KAYHART. I'm Roger V. Kayhart from down in Vergennes, VT, father of four sons, all dairy farmers that most of you know. One guy that has got the guts of a soldier lost both of his arms is still farming.

I think that actually from Washington, DC, we have been treated pretty unfairly in a way, believe it or not, maybe not knowingly, but maybe accidentally. We have been asked time and again to go into programs to cut back on production. Why? Continuously the imports have been allowed two rates.

If the imports would have been taken back the same percentage we just took back right now on the buyout, we would have no milk problems in this country at all. They'd be hollering for it. They be screaming for it. But they continue to go up and the new GATT treaties continue to come in and I follow them as good as I can. I can't stand here and tell you about every one of them, but the people here know about the GATT treaties and so forth.

They do not pay advertising on the product that comes in here. We advertise it for them. We advertise cheese right over the television, we advertise manufactured products right over the television, so they send it in and sell more of their farm cheese in here. Where is it going to stop?

I don't know if France—I don't know if the other countries advertise for us when we send the goods over there, but I'd like to find out. I think this is a very important part. Actually the imports into the United States that is coming here today equals the surplus we have. If you would look at it closely, it's very, very close. With the casein, it is definitely. With the casein, it is.

Thank you very much.

The CHAIRMAN. Secretary Lyng, do you want to have the last word here?

Mr. LYNG. We have very strict control on imports of dairy products. We are highly protectionist. Section 22 in our Trade law that

has been there since—goes way back. It protects dairy products far more than any other agricultural product. We do have a quota, a very rigid quota on imported cheese, and then we do have a small quantity of what's called nonquotaed cheese which may fit with the cheese that you are manufacturing, that high quality soft cheese. Much of that comes not under a quota. But we have never produced much of it, as came out earlier, in the United States. And the consumers wanted that. It has not, until now, perhaps, displaced the domestic production. We are pretty protective in cheese.

The products that are advertised by the Dairy Board, that is an American cheese, American types of cheese, Cheddars and the Swiss cheese we produce here are not. We don't import those. We don't import ice creams, we don't import any fresh milk or fresh dairy products. All of that is domestic production.

The CHAIRMAN. Several of you have statements, and if you will mail them to me at the Senate Agriculture Committee in Washington, we will include them in the record.

For those of you meeting with the committee later this afternoon over at the dairy farm, I look forward to seeing you there. I thank you, all of you, for your attention, but especially, thank you, Mr. Secretary and the members of the committee who have taken a day to be up here with us in Vermont.

With that, we stand in recess.

[Whereupon, at 1:20 p.m., the committee adjourned, subject to call of the Chair.]

[Material submitted for inclusion in the record follows:]

Holstein Association

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ZANE AKINS
Chief Executive Officer

July 31, 1987

The Honorable Patrick J. Leahy, Chairman
Committee on Agriculture, Nutrition & Forestry
Room 433
Russell Senate Office Building
Washington, DC 20510-6000

Dear Senator Leahy:

I was privileged to be in attendance at the Senate Committee on Agriculture, Nutrition & Forestry hearing in Winooski, Vermont, July 27. While I was not among those given the opportunity for testimony, I did want to file for the official record the position statements of the Holstein-Friesian Association of America. They are enclosed and attached to the form supplied to us for this purpose.

You are to be congratulated, along with the senators present and Secretary Lyng, for conducting an informative and open session.

As I indicated to you personally following the hearing, we would welcome the opportunity for you to visit us again here at the Holstein Association in Brattleboro, Vermont. Possibly you could use it to offer comments or statements about agricultural issues, especially dairy. We could invite a select representation of our leadership to be in attendance for a discussion on issues as well.

I hope too that I will have the opportunity to be in Washington to review these positions or others with you and your staff in the near future.

Sincerely yours,

Zane Akins

Zane Akins
Chief Executive Officer

ZA/mac

enc.

VERMONT FIELD HEARING
July 27, 1987, St. Michael's College, Winooski, VT

Name Holstein Association of America (Zane Akins, CEO)

Address 1 Holstein Place City Brattleboro State VT Zip 05301

The Holstein Association of America is a not-for-profit membership association for breeders of Holstein cattle. We represent the interests of all dairymen, but in particular those 90% who are milking and raising Holsteins throughout the United States. Our membership of approximately 54,000 represents a significant number of the progressive dairymen.

I act as the Chief Executive Officer, under the control of an 18-man Board of Directors from the membership.

Attached are the position statements adopted by the Board on behalf of the Holstein Association at their meeting June 20, 1987 in Indianapolis. We would like these to be entered as our testimony to the Senate Agriculture Committee.

HOLSTEIN ASSOCIATION OF AMERICA

STATEMENTS OF POSITION ON NATIONAL ISSUES

1 Holstein Place
Brattleboro, Vermont 05301-0808

June 20, 1987

Agriculture is the single most important segment of the U.S. economy. It is a vital element in the nation's foreign policy and in world peace. The health and well-being of American Agriculture is closely allied with the nation's monetary and fiscal policies and the economic growth, stability and prosperity of developing countries, world-wide. Federal debt reduction, a sound balanced-budget philosophy, stability of the dollar and cost-effective programs designed for specific developing countries will strengthen the foundation on which the nation's agriculture rests.

NATIONAL FOOD AND AGRICULTURAL POLICY

That a long-range food and agricultural policy be established by the Congress and the Administration on a bipartisan basis having as its goal the maintenance of an environment in which American Agriculture can produce at optimum capacity with reasonable assurance against economic disaster should production greatly exceed domestic and world demand for basic commodities in any given year and that the maintenance and conservation of our soil resources be a prime consideration within that policy.

Any such policy should become an integral part of our monetary, fiscal, trade, foreign relations and similar policies recognizing the interrelationship of one with the other.

HUMAN NUTRITION AND FOOD PRODUCTION

That any policy(ies) involving food and human nutrition have as its goal a realistic balance between well-established and documented nutritional needs of our people and the productive resources of our farms, keeping in mind the efficient and effective conversion of nutrient sources not edible by humans into edible, highly nutritious human food by ruminants and the related values associated with the maintenance and conservation of our soil resources.

That budgetary constraints be considered, but not necessarily the overriding determinant in the development or implementation of cost-effective, humanitarian food and agricultural policies and programs as measured in terms of long-range benefits.

DEVELOPING AGRICULTURAL POLICY

That the President, the Congress and the several branches of government continue to rely heavily in matters of policy-making affecting American Agriculture, both as to domestic and international issues, on the leadership and guidance available and willingly forthcoming from knowledgeable individuals, especially agricultural leaders and responsible organizations in the private sector.

LEGISLATION AFFECTING AGRICULTURE

That in the development of legislation affecting American Agriculture, careful consideration be given to a comprehensive approach which would embrace a sound, well-balanced food policy and agricultural production policy having as goals:

a) To provide adequate supplies of pure, wholesome, nutritious food for all Americans including a recognition of special needs, and
b) Provide stable markets for farmers to receive reasonable returns on their investment of capital, labor and management skills.
c) A structuring of the approach to embrace terms, conditions and philosophy more commonly used and generally understood in an industrialized economy, particularly that of the USA.

CONSUMER UNDERSTANDING AND PROTECTION

That favorable consideration be given to all efforts directed toward a better understanding among individual consumers, consumer groups, farmers and farm groups with special emphasis being given to joint efforts and conferences between farm and consumer groups on major issues in which both have a vested interest.

That the role of consumer perception be recognized as a significant factor in the successful introduction of a product, process or procedure resulting from the rapidly advancing developments in American agriculture particularly in the field of biotechnology. That all involved, responsible and affected entitities in both the public and private sector take appropriate measures to inform with substantitating evidence the consuming public of the nature, usefulness and level of knowledge of the product or process before its release or use commercially.

That there should be repeal of the General Safety Clause and the DELANEY Clause in the Food, Drug and Cosmetic Act, replacing each with more realistic regulations based on reliable research data by government agencies dealing with food additives and chemical residues and that consideration be given to a risk-benefit ratio.

CAPITAL AVAILABILITY

That American Agriculture and especially Dairy Production Enterprises are capital intensive operations and will become increasingly more so in the future. Capital is a management tool and a key production input ingredient. The maintenance of a viable industry in the national interest mandates the availability of adequate capital and credit, at a reasonable rate of interest, dedicated to agriculture which will require the best efforts of all lenders undergirded by adequate, effective and soundly administered government assurances.

TAXES AND TAXATION

That dairy farming is the most capital intense of all agricultural enterprises on a per worker basis. It follows that tax policies have a profound effect upon the nature and structure of the dairy industry and ts future viability as a basic agricultural enterprise critical to our national well being.

That family retention and operation of farms and other small businesses is a highly desirable socio-economic goal. Complete elimination of estate taxes will be a major factor in reaching that goal, therefore the upward ratcheting of estate tax exemptions should be continued.

That further tax simplification and the closing of tax loopholes which provide inequities in taxation must be a continuing effort, and that a capital gains exclusion system be reinstated to help protect long term economic gains from excessive tax liability. That the requirement to captalize the cost of raising breeding stock places an unrealistic record-keeping burden on family farms and should be repealed.

INTERNATIONAL AGRICULTURAL MARKETS

That the production of U.S farms be recognized as the bellwether in the U.S. balance of payments which first serves the national interest, second the interests of consumers and third the interests of American Agriculture. That the Congress and the various divisions of the USDA be commended for present efforts and urged to strengthen those efforts while continuing to sustain international markets for U.S. agricultural production. That these efforts be consistent and effectively coordinated thoughout government ... all departments and all levels.

That realistic policies be consistently maintained under which the U.S. becomes a reliable source of supply, a dependable source of credit where appropriate and needed, and aggressive in its international trading philosophy.

INTERNATIONAL TRADE NEGOTIATIONS

That support be extended to the United States Trade Representative and his Staff in their efforts to negotiate a more satisfactory and more acceptable world trading environment though the GATT which is recognized as offering the only organized approach to the establishment and maintenance of a structured world trading environment.

That a free world trading agreement is an idealistic, but not realistic goal to be achieved in the Uruguay Round of MTN. That negotiators strive in their efforts to arrive ultimately at a system of export subsidy reduction world-wide along with arrangements for market access having a relationship to the domestic environment on a commodity-by-commodity basis.

That negotiations toward a free trade agreement with Canada be closely allied with the establishment of a similar trading status on a world-wide basis.

AGRICULTURAL EXPORT CREDIT

That an agricultural export credit policy be developed which recognizes and relates to a changing world economy. That greatly expanded direct export credit is a critical need to open and sustain agricultural export markets for which blended credit and credit guarantees are useful, but not alone an adequate substitute or effective replacement. That existing legislation and export credit authorizations should be funded adequately to help bring the level of exports to their realistic potential. That the agricultural export credit revolving fund be funded and implemented forthwith.

That commendation be extended for the USDA initiatives to market live dairy animals internationally specifically through the Export Enhancement Program and GSM-103.

AGRICULTURAL MARKET DEVELOPMENT (USDA/FAS)

INTERNATIONAL

That full support be given to the efforts of the Foreign Agricultural Service/USDA in its cooperative foreign market development programs through favorable congressional support of this important and necessary joint effort of government and the private sector which is an unequaled model of success. Further, that the Association express its appreciation to the Administrator and staff for the excellent cooperation it has enjoyed in this highly succesful effort on behalf of the U.S. livestock industry.

AGRICULTURAL TECHNOLOGY - PRIVATE SECTOR INTERNATIONAL

That U.S. Agricultural Technology, particularly applied technology, is a commercially marketable commodity in international trade and should be considered as such in all negotiations, international planning, bilateral and multilateral agreements and programs of a similar nature. That the private sector be looked to more and more to provide such needed technical assistance (cooperation) for whatever purpose the assistance is designed to serve. That for government supported foreign technical cooperation (assistance) via FAS/OICD/AID and similar agencies, services by the private sector be sought.

AGRICULTURAL RESEARCH That priorities for agricultural research, specifically those established for the dairy industry and for animal agriculture generally, be given relative consideration with other agricultural enterprises in the allocation of personnel and funds at both the State and Federal level. Additionally, allocation of funds and personnel must be effectively administered through comprehensive planning based on facilities and capability to perform, rather than less significant criteria.

The Association applauds the effort and sense of direction of ARS/USDA. Strong support is given to the integrated or multidiscipline approach to research efforts to achieve greater efficiency and effectiveness and to special emphasis being given to biotechnology. Every assistance is offered ARS & CSRS/USDA and State Experiment Stations to achieve the desirable goals and needs of animal agriculture and the dairy industry in particular.

APHIS That appreciation be extended to the Animal and Plant Health Inspection Service for the assistance given dairymen in all phases of its work, especially that related to export marketing, while at the same time urging that priority be given to the need for expanding the capability and improving procedures for handling required animal health tests and the quarantine of animals for export with special emphasis being given to those diseases considered of major significance in international trade, i.e., leukosis, blue tongue, etc.

Further, that APHIS and responsible Administrators within USDA establish high priorities on the allocation of funds and personnel to well-documented major animal health problems before initiating new rules and procedures for matters not now covered but which do not present animal health problems of major consequence, domestically and internationally.

That commendation be extended for efforts put forward to establish a positive attitude and understanding at all levels toward exports, the negotiations of export health requirements with foreign government counterparts and the coordination of such efforts with FAS and appropriate private sector organizations all of which is an absolute necessity.

BRUCELLOSIS CONTROL That the goal of erradicating Brucellosis in the shortest possible time be fully supported as set forth by Livestock Conservation Institute which in its position calls for Federal Funding at not less than the FY'87 level, supports increased vaccination, increased enforcement of UM & R at State and Federal levels with program review in B & C States not recently reviewed and incentive payments added to depopulation indemnity.

ELECTRONIC IDENTIFICATION Supports the implementation of Electronic Identification of livestock with a permanent, non-transferable device with uniform application to the total livestock industry through a National System adaptable to all segments through coordination of the National Livestock Electronic Identification Board sponsored by Livestock Conservation Institute as the authority giving direction to a National System.

BEEF CHECKOFF AND REFERENDUM That dairy beef and veal represents upwards of twenty percent of the U.S. beef supply and continues to be an important segment of income for dairymen, properly recognized by the preserce of dairymen on the Beef Promotion and Research Board.

That strong support be given by dairy interests to beef promotion and research activities under the Beef Promotion and Research Order as provided in the 1985 Farm Bill as a matter of industry interest while expecting similar support from beef interests for dairy's promotion and research program under a similarly constituted legislated order.

Further, that dairy interests give positive support in the upcoming referendum on continuation of the beef promotion order while at the same time insisting that checkoff payments be required only at one time for each animal and that be at the time it is sold for slaughter.

DAIRY SPECIFIC POSITIONS

This Association is not directly engaged in the marketing of milk or dairy products. However, it is directly concerned with the total welfare of all dairymen who own and produce over 90% of the nation's milk supply with Holstein cattle. Its concerns necessarily are nation-wide, long-range in nature, cut across all marketing areas and embrace milk per se and all products of which milk is a basic ingredient.

NATIONAL DAIRY POLICY That the basic tenents of all public policies and programs related to the dairy industry be directed toward the efficient production of an adequate supply of high-quality milk and dairy products at a reasonable price to the consumer and a fair return to the producer. That Federal nutrition programs for appropriate and worthy categories of citizens using milk and natural dairy products remain a national obligation.

DAIRY'S LEGISLATIVE BASE That strong and continued support be given to the maintenance of the four legislative marketing cornerstones of the dairy industry, i.e., the Federal Milk Market Order Program under the Agricultural Marketing Act of 1937; a Dairy Price Support Program as operated under the Agricultural Act of 1949, as amended, provisions for import controls under Section 22 of the Agricultural Adjustment Act of 1933, as amended, favorable climate in which producer milk marketing cooperatives might continue to operate under provisions of the Capper-Volstead Act.

DAIRY PRICE STABILIZATION PROGRAM That the proper role of the Dairy Price Stabilization Program (Milk Price Support) is to provide a measure of industry stability and consumer security for an adequate supply of high-quality milk and dairy products for the present and especially for the future by setting price supports at realistic minimum levels. The role is not to provide income enhancement for dairy farmers.

That imports of products derived from milk impact adversely on the Dairy Price Stabilization Program and need to be controlled, capped or subject to appropriate import duties under provisions of Section 22 of the Agricultural Adjustment Act of 1933, as amended, when determined to be excessive.

PRODUCT INTEGRITY That the integrity and well-ingrained consumer acceptance of milk and dairy products as wholesome, nutritious and necessary ingredients in the human diet be protected and preserved through appropriate legislation, rules, regulations, procedures, practices and the aggressive enforcement of each at every level of government and commercial activity. Conversely, that the strongest possible resistance be mounted by the industry and appropriate agencies of government against efforts, deliberate or otherwise, to perpetrate a fraud upon consumers in the good name of milk and dairy products through deception, misrepresentation, name infringement, statements of "nutritional equivalency", substitutions and practices of a similar nature.

NATIONAL DAIRY PROMOTION AND RESEARCH PROGRAM That the Dairy Research and Promotion Order under the Dairy Production Stabilization Act of 1983 is one of the most vital pieces of legislative authority to the future well being of the dairy industry. It is given unqualified support and endorsement in its present form as the structure within which the industry's programs of promotion, research and related activities be conducted and/or coordinated under the direction of the National Dairy Board.

That the National Dairy Board be complimented for its management of the Order and that it be fully supported in its efforts.

DAIRY PRODUCTION TESTING (NCDHIP) That appreciation be extended to USDA/ARS & FES for concerned interest and service to the Dairy Industry, especially through the National Cooperative Dairy Herd Improvement Program (NCDHIP). This is considered an industry-wide program serving the interest of dairy cattle improvement nationally by the sponsors working cooperatively with several key organizations in the private sector. In this respect, the Dairy Breed Registry Organizations have played a significant role in both the policies and conduct of the program since its beginning. Continued participation and involvement of the Dairy Breed Registry Organizations, individually and through The Purebred Dairy Cattle Association, is vital and necessary to the continued success of the program in the greatly expanded and increasingly sophisticated procedures involved in the genetic and management improvement of the nation's dairy herd. NCDHIP is a vital part of this wider involvement in genetic evaluation. It follows that the status of PDCA in the NCDHIP should be established as a co-sponsor of NCDHIP.

NUTRITIONAL STANDARDS That current minimum nutritional standards for dairy products, particularly fluid products, be enforced vigorously by appropriate State and Federal authorities.

We would encourage one national standard that nearly equals naturally produced whole milk, which would be approximately 3.5% fat and 8.5% solids-not-fat.

PRICING MILK TO THE PRODUCER That classified pricing is a necessary and vital element in the pricing of milk to the producer, in maintaining a stable industry and in the operation of the Federal Milk Market Order Program.

That present provisions of the Agricultural Marketing Act of 1937 re: pricing under the Order program be retained and that procedures not be altered by legislative process.

That any plan or program for component pricing of milk to the producer be limited to milk used for manufactured products and should be based on fat solids and all solids-not-fat vs. selected nutrients alone, i.e., fat, protein, lactose, etc. Further, that bonus payments for a single nutrient(s) above a fixed level are not considered as component pricing per se.

EMBRYO TRANSFER Supports and encourages the Certification Program of the American Embryo Transfer Association, will cooperate with AETA and IETS in the effort to reduce the health test encumbrances involved in the international movement of embryos with embryo identification documentation a breed organization responsibility. Further, supports the National Pedigreed Livestock Council position in opposition to the amending of State Veterinary Practice Acts in order to limit the practice of embryo transfer to licensed veterinarians.

Holstein Association
1 Holstein Place, Brattleboro, VT 05301-0808

ROBERT HOWRIGAN
FAIRFIELD, VERMONT

I was at your hearing, realizing you did not have time for everyone. I wish to encourage you to adopt the regional approach to our dairy concerns. We are a nation of states divided into regions, let's live with it. Let's have a free open market with three tier pricing: class (1)--fluid milk--class (2)--manufactured milk products: butter, cheese, ect. These will constitute our blend price, and lastly class(3)--percentage of excess in market above what the government needed for social needs: School hot lunches, etc. Pay us a lower price to discourage more milk production. Handle this on a regional basis. Our present system has a reverse effect, lowering the support price makes a young farmer with commitments produce more milk.

I know it sounds too easy, but try it.

Honorable members of the United States Senate thank you for reading this approach; bear in mind that our families livelihood is the dairy business.

STATEMENT OF TUTHILL DOANE, MAPLE RIDGE SHEEP FARM
ROXBURY, VERMONT

I would like to request reconsideration by Secretary Lyng of "Interum Rule" and LD-276 regarding the ceiling placed on wool incentive payments. The program is not a cost to the taxpayer (by definition, wool incentive payments must not exceed 70 percent of the monies collected in tariff on imported raw wool and mohair) but is in fact contributing 300 million dollars to the general fund (in 1986 only 28 percent of the tariff monies collected were returned to the producers)

Our premium colored wool sheep have an equal annual cost per animal to maintain as generic white wool sheep, but a significantly lower number of pounds of wool are produced per animal. We therefore must receive higher per pound price, and we do, to sustain our operation. A ceiling on the per pound price honored for incentive payments is a tremendous handicap to our industry; especially our farm, as our sheep do not mature until three years old and most lambs are too small at one year of age to sell for meat.

STATEMENT OF RONALD MORRISETT
RANDOLPH CENTER, VERMONT

1) We need a fair price for our milk.
2) We need production management.

I feel that a two price system is the best way to ensure that farmers earn a fair return for their labor and investment. The farmers would be paid a high price for all milk consumed commercially. If a farmer increases his production above commercial demand he would be paid a lower price for his excess production, this program could be adjusted for regional differences.

STATEMENT OF SALLY CONRAD
VERMONT STATE SENATOR; CHAIR-HEALTH & WELFARE COMMITTEE
BURLINGTON, VERMONT

The Vermont State Senate has received testimony from Commissioner of Health Roberta Coffin that the W.I.C. program in Vermont has been extremely successful, however we may be rewarded for that success by losing a portion of our W.I.C. funding. Last year alone state human services programs lost 30 million dollars in federal funds. Vermont cannot afford to infuse additional state money into the extremely important W.I.C. program. Please assure our funding for W.I.C. at the federal level.

The State, in recognition of the severe shelter problems experienced by ANFC' recipients, is considering raising the ANFC shelter allowance which is far far below actual cost. However, if the State were to raise this allowance, this would mean that those ANFC families would lose their food stamps dollar for dollar. Please allow us to address this very real problem without penalizing the families we are attempting to help.

STATEMENT OF CYNTHIA TURO BURNS
FAIR HAVEN, VERMONT

Statistics clearly indicate that usage of the Food Stamp Program by eligible Vermonters is declining. There are many reasons hypothesized for this apparent underuse of the Program, but no clear answer.

Secondly, statistics generated by the Bennington Rutland Opportunity Council, one of Vermont's five Community Action Agencies, very dramatically illustrate an ever increasing demand for food for hungry families.

The above two situations: declining use of food stamps and increasing numbers of hungry Vermonters, can only lead one to believe that something must be done if the problem is to be effectively addressed.

Let me suggest two courses of action which I believe would prove most helpful. First, food stamp benefit amounts should not be linked to so outdated and unrealistic a meal planning tool as the Thrifty Food Plan which as far as I can see is less than subsistence and a near joke.

Along with a readjusted benefit amount, I'd like to suggest that the U.S. Department of Agriculture appropriate money to support a concerted effort, at the grassroots level, to do food stamp outreach. These outreach efforts might be used not only to generate program usage, but also budget counseling, shopping techniques, meal planning and nutritional education.

STATEMENT OF THOMAS HENNIG
ORLEANS, VERMONT

The North East Kingdom Soup Kitchen has been open for one year. As observed the need has increased by jumps and bounds!

The increase in the homeless and transient has grown substantially. This is not a stranger just affecting the people from our great urban centers, but also the folks of the North East Kingdom.

The growing cost of housing and living leave many to fall into the cracks per say. We now serve 40 people, where just a year ago we served 20. We are afraid the on coming winter will bring even greater numbers.

By community and social agencies net-working together we are able to provide nuitritious meals. With the increasing problems facing our area our future is unknown.

"There is all this land and agriculture in the North East Kingdom and still the painters house needs painting"

STATEMENT OF WILFRED R. KELLY
WATERBURY, VERMONT

My name is Wilfred Kelly. I am a former employee of the Plant Pest Control Division of the Vermont Department of Agriculture. I have also operated a small orchard.

I have no quarrel with proposals to revise the Act. Starting in the 1950's I was involved with its regulations and at that time I was strongly in favor of better controls in the distribution and use of pesticides. I still feel good controls are a necessity.

I'm not knowledgeable about all the changes proposed. The feature which I am acquainted with would place some uniformity on pesticide restrictions, more specifically, "food tolerances." I feel this is a worthy goal. My concerns are general. People sensitive to the needs of agriculture should be party to any revision. I have known of legislation prepared and presented in order to protect water. However, it was written in such a way that in many cases land crossed by a brook could not be used for pasture. Obviously the person preparing, while he was rightly concerned about water quality, knew or cared nothing about agriculture.

Agriculture is the most basic of all our industries. Eliminate it and our other industries will perish along with a sizeable portion of our population. The consumer cannot with impunity assume an adversary role for long. Yet this has been the attitude adopted by many who seek to preserve the environment.

I vehemently urge the committee to make good agricultural people party to your activities in preparing revisions. Agricultural people were concerned about the environment long before the sound and fury of the sixties. Agriculture needs to preserve the environment. But the environment needs to be preserved in a manner which will also preserve a viable agriculture.

STATEMENT OF DEEBERT LEETE
WELLS RIVER, VERMONT

I am writing in regards to the ag hearing held in Calchester, Vermont. As I did not get to testify at that hearing, I would like to make a few comments.

First of all, I do not think that the problems we are facing start at the farm, as we are the most efficient producers, and are as conservative as most businesses.

I believe that because of the enormous national debt, all businesses are all over-taxed. The government must stop wasting money on all projects.

Agriculture subsidies are not the answer. We must have a fair price from the markets and consumers, which is cost of production plus profit. Farmers then could pay their debts, buy new machinery when needed, and have a higher standard of living.

Consumers are willing to pay more for their food if they know the increase went to the farmer.

I also believe that all imported foods should have the same high standards as ours, as far as inspections, processing, etc.; including chemicals.

Also as the minimum pay is increased it adds the cost to all items and they have the increase in income tax on wages. This adds to inflation and more government spending.

I believe that grain should be priced on domestic use and not on what is exported; also that milk handlers having interest free money to use while the farmers are having to borrow, while waiting for their milkcheck, is not fair.

The regional marketing sounds good, but farmers nationwide need the increase in price.

In closing I would like to thank you for coming to Vermont and bringing the congressmen with you.

STATEMENT OF LINDA SAUCIER, DAIRY FARMER,
MEMBER OF RURAL VERMONT STEERING COMMITTEE

Sun-E-Hill Farm
RD 1, Box 31
So. Ryegate, VT 05069

Dear Committee Members:

My name is Linda Saucier, my husband and I have owned and operated a fifty-cow dairy farm here in Vermont since 1980.

I believe that there are only two issues that are of importance to farmers and the country in general today.

The first and most basic issue that I believe faces us today is what this country was founded for. Our forefathers believed in life, liberty and the pursuit of happiness. They came to this land and prospered here by farming first for themselves and then as the population grew for others. Earlier this century the U. S. Government realized the importance of providing an honest living for farmers and an abundant food supply for consumers. They created a Parity System guaranteeing certain prices to farmers regardless of market shifts. For many years that system worked successfully and made it possible for hard working farm people to earn a living. But things have changed drastically in the last five years. Increasingly, powerful corporations and private interest groups (See Exhibits A & B) have eroded the farmers price. The percentage of parity received by the farmer today has been at lower levels then during the Great Depression for a sustained period of time.

Parity was designed to provide farmers with the cost of producing the product plus a reasonable return on investment. It is a system comparable with any other industry. I believe that this is the American way but it is not the case in farming. I believe our whole country is suffering because of this robbery of the American Farmer. The cheap food policy of our government is robbing the farmers, the rural community, future generations and the earth that provides the food we live on. The farmer is robbed by not having the value or money s/he has justly earned for his/her labor. The rural community is robbed by the loss of the money the farmer spends. It is said that for each dollar a farmer spends it generates seven dollars in the community. Future generations are robbed because they are the ones who will have to pay the huge debts this country is incurring. The land is robbed because the farmers donot have the money to put into practices that will nurture and protect the earth as it should be. Soil conservation, ground water and stream protection and protection of the very air we breathe cost money.

The Holy Bible states in II Timothy 2:6 "The husbandman (farmer) that laboureth must be first partaker of the fruits." (King James Version) The farmer is actually the last partaker of the meager fruits the government of this country is allowing him or her. Yet the government knows full well what the value of dairy products is, as evidenced in the price of $22.50 that they used to purchase the milk production of the farmers on the Whole Herd Buyout. The value of farm products is out there in the

marketplace as demonstrated by the fact that food prices have not gone down in the last five years to consumers but cooperatives and large food businesses have reaped huge profits because of the low prices being paid to farmers. I urge you to wake up now before the family farmer is turned into a serf working for a large corporate landholder. Democracy will not survive if such a system comes to be.

To more personally illustrate my point I would like to discuss what our milkcheck looks like. For our milk in May, 1987 we received 53% of parity. Full parity would be $23.40. For the month we produced 61,672 pounds of milk and were paid $7,092.16. At 100% of parity we would have received $14,431.25. Deductions from that check are:

Federal Milk Tax	154.18
Hauling	604.21
Bargaining	70.92
American Dairy Assoc.	49.34
Federal Promotion	43.17
For a total of:	$921.82

Dairy farmers pay to ship their product to market yet they have no way of obtaining that expense from the marketplace, thus the processor is the one to benefit as he locates his plants near where the population centers are.

Dairy farmers are important to Vermont not only for the food and economic benefits they produce. Vermont is a tourist state. People come to enjoy the quality of our rural lifestyle and the benefits of the country life. the business sector of our state recognizes the strong benefits we provide to the well being of Vermont. (See Exhibits C & D) As you travel around Vermont you see the sad commentary of farming on the wane. Abondoned and dilapidated farmsteads, hill pastures overgrown with brush and woods that have stone walls running through them. Mute testimony of the hard work that cleared those fields now gone to ruin. Increasingly the hill farms that dotted Vermont with picturesque views are disappearing as the farms become clustered along the river valleys.

Right now there appears to be an abundance of food but that situation is changing. During the recent Agriculture Summit held here in Vermont a lobbyist stated that he and several other lobbyists working for cooperatives recently approached the Commodity Credit Corporation for permission to try to sell excess dairy products to foreign markets in an attempt to forestall the 50¢ deduction the CCC will take out of farmer's paychecks in Jan., 1988 if there are CCC purchases above five billion pounds of milk equivalent. They were told that there was no surplus to be sold, that it had been used up. Furthermore in questioning Rep. Jim Jeffords he told me that he estimates that the government needs between four and six billion pounds of milk equivalent for its own use for the military, school programs, etc. Furthermore, an article I read recently states that shortages could occur. (See Exhibit E.)

I urge you to restore to the American Farmer what is rightfully his.

My second point is the method I believe should be used to restore the rightful income to the farmer. I believe the only way to do this sensibly is through a supply management program tied to parity as stated in the Family Farm Act introduced by Sen. Harkin and Rep. Gephardt. The parity increases would come slowly after the initial increase to 70% as stated under the Act. That initial increase is what will save many of our family farms. The program makes real sense for farmers, not for cooperatives, not for processors but for farmers. They are the ones that need to benefit right now. The cooperatives and processors have benefitted for to long on the backs of farmers. They will always have the means to survive to turn a profit.

I urge you to study this bill written by farmers, I urge you to support the grassroots farm groups that are working for its passage. If there is a part of the bill you disagree with, please contact Sen. Harkin and get involved in making it a bill that will restore what is rightfully the farmer's. Groups are rallying around in support of this bill (See Exhibits F & G). I believe we can save agriculture as family farms and provide reasonably priced food for the American consumer.

Linda Saucier
Dairy Farmer
Member of Rural Vermont Steering Committee

Exhibits A-G follow:

Exhibit A

Supply Management Needed To Avert Takeover Of America's Family Farms

Country Folks 7-6-87 Exhibit A

WASHINGTON: Hostile corporate takeover of America's family farms is a real possibility unless swift Congressional action is taken to restore profitability to agriculture and rural communities, National Farmers Union President Cy Carpenter today told members of the Senate Agriculture subcommittee on agricultural production and stabilization of prices. Carpenter said the takeover danger is real because some agribusinesses and corporations are positioning themselves to take over control of farm policy and ownership of farm land. In the process, he said, they will bypass the local suppliers and other small businesses in rural communities. Such a takeover would surely be "hostile" because it goes against the grain of stated American policy and public support for family agriculture, Carpenter said.

In remarks prepared for the Senate subcommittee's second hearing on the Harkin-Gephardt Family Farm Act Carpenter said legislation to prevent such a takeover must include the following four points:

•Public policy must return profitability to family farming. "If the family farm system is allowed to fail, I assure you that whatever system replaces it will require a profit, including a return on capital investments, if it is to continue offering the services of food production. As with other industries, if no profit can be made producing in the United States, then production will move overseas," Carpenter testified.

•Commodity supplies must be balanced with utilization. "We believe the only logical course of action is for government and our current system of agriculture to cooperatively bring supplies in line with demand through production controls. All Americans have a vested interest in keeping food production in this country and at levels ensuring stable availability of food," the family farm leader said.

•Farmers must participate and share responsibility in developing and implementing agricultural policies. Carpenter specifically supported the producer referendum contained in the Harkin-Gephardt Family Farm Act.

•The United States has an undeniable responsibility to be the leader in international agricultural negotiations. "Discussions and negotiations with agricultural producers worldwide must be developed to secure better international agricultural policies," he said.

Delegates to the family farm organization's policy convention last March carefully debated all proposals for new farm policy. They endorsed the concept of the Harkin-Gephardt Family Farm Act.

"Given the fluid nature of legislation, we found it unwise to endorse a specific bill at an annual meeting. But as introduced, the Harkin-Gephardt bill was and is the only legislative initiative that addresses NFU's greatest concerns," Carpenter told the Senators.

Con-Agra Buys Swift Independant Packing

By Steve Taylor
Commissioner
Ag. N.H.
From
"Weekly Market
Bulletin"

Ever hear of Con-Agra? It's now the most broadly based food company in the U.S., having just bought Swift Independent Packing after previously acquiring giant packers Monfort of Colorado, E.J. Miller of Utah and Armour.

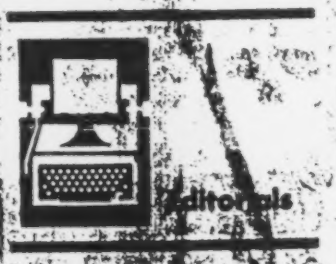
Con-Agra is involved in dozens of other food enterprises, and its Swift deal puts it in the major packer lineup with IBP, Cargill-Excel and Wilson. The rest of the restructured meat industry is composed of bit players now.

Country Folks 6-.1(1
Exhibit B

EXHIBIT C

18A—The Burlington (Vt.) Free Press, Sunday, March 29, 1987

Dairy Farms Are Vermont



The saddest story, and one of the most important, in last Wednesday's Free Press appeared on a page entirely filled with advertisements.

The farm auction notices spilled onto an adjoining page as well, bringing word that 12 more working farms — almost one-half of 1 percent of the state's remaining dairy farms — are calling it quits.

Usually our farms disappear quietly, one here, one there. It isn't until someone says something like, "Did you know there are only five dairy farms left in Richmond?" that we awake, too late, to the change around us.

That solid block of advertisements made the problem visible. We wanted to jump to our feet and do something, right now, before dairy farming is struck from Vermont's landscape like an old stage set.

But what? The particular farms on the auction block this month and next are being sold for widely different reasons — reasons as simple and tragic as the serious illness of a farmer's son, as complex and inflexible as milk pricing, development pressure and government incentives to get out. The family farm is being hounded to death by social and economic forces that are national, sometimes global, in scope.

At the state and local levels we've tried tax incentives — but a farmer's land remains his bank account. We've tried a development control law — but development still gobbles good agricultural land. We've begun efforts to encourage diversification — but in the marketplace Vermont remains best suited for dairying.

Nevertheless, it's likely that all these measures have helped at least delay the day of reckoning for individual farms. The federal Family Farm Act, now before Congress and recently endorsed by the Vermont Senate, might help more. What we cannot afford is to allow the issue to slip from the top of the state government agenda, as it seems to have slipped during the tenure of Gov. Madeleine Kunin.

In the social fabric of Vermont, dairy farming has been the warp against which the changing threads of economic and social life are woven and rewoven. Without hillside pastures, without farmers as selectmen and school directors and bank directors, without the farm-raised values of independence, self-reliance, thrift and hard work this wouldn't be Vermont.

Exhibit D

EDITORIAL COMMENT

Is agriculture worth the price?

Last month I had the pleasure of visiting some friends and skiing in Switzerland; a place I used to call home. Although the cows were still in the barns, I often found myself pondering agriculture and how the economics of farming appears to differ so greatly between Switzerland and Vermont, even though we have much in common, including a heavy reliance on dairy and a lot of hills.

In Vermont, many hill farms have long ago grown back into woods, but in Switzerland even the most marginal land is still in use. And we are not talking hillsides, we're talking mountain sides.

These Swiss hillsides are so steep that even the most adroit of us wouldn't want to ski them, let alone farm them. But farmed they have been, even if that has meant cutting hay by hand on slopes far too steep for machinery.

Because I was on vacation, I wasn't about to spend my time in university libraries researching Swiss agricultural economics; it was, however, food for thought.

As a country highly reliant on its natural beauty to support its tourist industry, one method by which Switzerland has held on to its attractiveness has been to keep its farmers scything away on the hillsides. In Vermont, too, open, rifer-dotted fields are among the views tourists find most attractive.

Typically in Europe, agriculture is highly subsidized as a matter of national policy. Governments there realize farming is a costly industry to keep on life support systems, but they've decided it's a price worth paying.

In the US we rebel against subsidization. Everything should pull its own weight, or so many people say.

If this is a conscious idealogical choice on our parts, fine. But let's remember we could save agriculture if we were willing to commit the resources to it. The Swiss have saved it, and under much harsher agricultural conditions than our own.

If we decide not to subsidize agriculture, we should remember, as we watch more Midwestern banks fold and see more broken farmers auction off combines and manure spreaders, that we have made a deliberate decision. And we should be willing to accept its consequences.

'A's for Vermont's business climate

Depending on whom you listen to, Vermont's business climate is either poor or wonderful. A new study by the Washington [illegible] has placed it in the wonderful category, second only to Massachusets [illegible] with Minnesota, California, [illegible]. Vermont was [illegible]s in the [illegible] areas of economic performance (job growth, income per capita and quality of life), business vitality (competiveness of existing industry), and economic capacity (quality of workforce and infrastructure, and the availability of capital). The state drew a 'B' for policy strength, the effectiveness of government and regulation.

By contrast Alabama and Tennessee got Fs in all four catagories.

The non-profit group that conducted the study, the Corporation for Enterprise Development, also had some interesting comments about the relative competitiveness of the "high-tax, highly regulated and heavily unionized" Mid-Atlantic and northeastern states versus Sun Belt states.

The Sun Belt states that cut taxes and services to 'chase smokestacks' are now experiencing lackluster economies, according to the report. These states, it said, have failed to invest in such infrastructure as roads, bridges, airports, sewage and water, while also neglecting education.

Meanwhile, states that have invested in an educated workforce and have built infrastructure are performing much better economically than their low-tax neighbors to the south.

It's a subject deserving some thought — at least until the next study is released claiming just the opposite.

Travel industry takes initiative

Business groups have their hands full in Montpelier this legislative session. On one front, they are on the offensive, pushing for passage of pro-business bills and pressuring the administration to play a greater role in attracting business to the state and helping expand those already here.

On another front, business is on the defensive against a variety of measures seen as government intrusion into business affairs, such as the plant closing bill, the anti-drug testing bill and the bill to limit smoking in the workplace.

Consider these two sets of positions together, and it's enough to pale the most red, white and blue of conservatives. In one breath, business is arguing against government interference in the workplace, and in the next, requesting government participation in expanding the state economy.

There is a philosophical contradiction here.

That's why it was so refreshing to see the travel industry pull itself up by its boot straps and request a rise in the sales tax on rooms to finance an ambitious increase in travel advertising. Here is an example of a group helping itself. President Reagan would be proud ...uh, I think.

This legislative session has shown that business groups will increasingly find themselves on the defensive in Montpelier. Pleas for new programs to assist business seem to be finding fewer and fewer sympathetic ears.

For philosophical reasons — as well as harsh political reality in Montpelier — business must increasingly find ways to help itself. ■

100

Shortages Lie Ahead, Ag Economist Asserts

Exhibit E

An Iowas State economist, Prof. Louis Thompson, has tracked weather patterns and production statistics back to the 1850s and he claims that agriculture moves in cycles, each about 18 years long and composed of five distinct stages, including uncertainty, decline, shortages, improvement and, finally surplus.

Right now American agriculture is in the midst of a three-year decline stage, following surplus years in 1980-82 and uncertainty in 1983-85. Ahead of us are years of shortages in crop production from 1989 through 1992, them improvement in the mid 1990s and surplus again at the end of the century.

Prof. Thompson figures that grain prices will bottom out this year and that higher proces will be the pattern for much of the agriculture over the next five years.

from Steve Taylor, N.H. Commissioner of Ag in "Weekly Market Bullentin"

CF 7-6-87

Exhibit F

Letter To Editor

Country Folks
Lee Publications Inc.
Palentine Bridge, N.Y.
12428
Dear Editor,

The article by Jim Jeffords in the March issue of Country Folks was so up beat and optimistic I had to check to see if I was reading a copy of Aesop's Fables. I hurried to see if, I like Rip Van Winkle, had slept right through the recovery of the dairy industry and the depression that we have been in since 1981. Unfortunatly the script was probably written by the co-operatives, Steve Kerr, or by the Reagan Office of Disinformation and is just an ill conceived fairy tale after all.

After just coming from a meeting in Vermont held by Rural Vermont and talking to farmers from Mr. Jeffords home state, a very different story was told. That is the 1985 farm bill was a flop. Its costs over 30 billion for last year, the most expensive in history, with no effect at all in staving off the rural depression the farmers are now experiencing. Export value is down by 40%. Yet all the while food processors profits have never been higher.

The enclosed graph shows the overall effect of the 1985 farm bill on order 36 milk prices. While prices have increased since the bill has been in effect, they have only increased by :10 in 1986 and are projected to be about the same in 1987. The only thing is that in 1981 the FO price was 13.58 a whopping 1.33 more than in 1986. How anyone can conclude from that the 1985 farm bill is a success is beyond me. Truly a pied piper story if there was one.

The Save The Family Farm Act is a bill that is being developed by farmers for farmers. It has some problems that need to worked out and to do this the involvement by more farmers, extensions, milk cooperative and legislators is needed.

How can we continue to support people that call for us to have lower prices to the producers? The 1985 farm Bill calls for lower prices in almost all commodities. Can you live with lower prices?

who oppose the bill help to develop it? Many questions are asked to confuse the farmers but few answers are given. I think the people who the 1985 farm bill makes money for are the largest voices in opposition to the Harkin/Gebbart bill. Are you making a lot of money? Has the 1985 farm bill made bought you a rosey future? If

1985 Farm Bill	Projections by Texas A & M
1986 - $11.20 (net of assessment)	
1987 - $11.10 (net of assessment)	
1988 - $10.80	
1989 - $10.80	
1990 - $10.68	

Save The Family Farm
Projections by Texas A & M

1988 - $13.02	
1989 - $16.07	
1990 - $16.88	

*Approval by 50% of producer after the bill becomes law.

Remember a bill is still open to input and amendment until it is passed by both houses and signed by the president or if vetoed revoted in by 2/3 of the houses of congress. Why won't the people not the support the development of a bill that keeps the people component as its heart. Human Numbers can still overpower money.

Things you can do to get more information:

(cont. on page 9)

this is only a copy of the latest version not a binding law. If there is something you do not agree with, get in touch with the people listed below and voice your concern.

2. Contact Rural Vermont 15 Barre Street, Montpelier, VT 05602 (802)223-7222, Mr. Anthony Pollina.

3. Contact Wisconsin Farm Unity Alliance PO Box 303, Glenwood City, WI 54013 (715)265-4747, Mr. Tom Quinn, Mr. Kirt Rollins.

4. New York Farm Alliance RD 3 Box 74, Boonville, NY 13309 (315) 942-2985. Mr. Mike Pupko.

5. National Save The Family Farm Coalition Box 414, Cyrcle Montana 59215 (406)485-3324, Mrs. Helen Waller.

Remember again this is a bill being written by farmers for farmers, so get involved, get informed, and get going.

Yours in Farming,
John F. Schald
Edit
Union City, Pa. 16438
(814)438-3668

1. Call your congressman or Senator and ask for a copy of the bill Senate bill 5658, House bill HR1425. Remember

Exhibit G

Dear Editor:

There has been a lot of confusion and a lot of questions raised in recent months over the Family Farm Act, a bill which is now in the U.S. Congress. As with any new policy, we must look at this proposal carefully and intelligently. The facts need to be presented honestly and accurately so any decisions are based on the correct information.

Economists at the Food and Agriculture Policy Research Institute, "FAPRI" of Iowa State University and the University of Missouri, project that the Family Farm Act would, on average, from 1988 through 1995, generate over $21 billion more in net income annually, than the current program. The results showed that the bill would significantly increase the farm income while cutting taxpayer costs. Tax spending would be cut about $25 billion a year from current programs. And perhaps the most pleasing fact to consumers, there are no subsidies under the Farm Family Act.

Most of the criticism of this bill has come from people, who have not taken time to study or understand it. For example, the repeated claims that New England farmers, who buy most of their grain, would be hurt under this program should grain prices rise. This is simply not true. The fact is, that in this proposal, the milk price is determined by including all costs of production, which includes grain prices. If the price of grain goes up, so does the price of milk.

The Family Farm Act of 1987, (the Harkin/ Gephardt bill) is the result of more than three years of effort by grassroots farm groups across the country (including many Vermont farmers) to develop a commonsense program instead of another bureaucratic nightmare of red tape and non production. It aims to establish a fair price for farmers' commodities in the marketplace, bring suprlus production back into line with demand, reverse the economic decline of rural America and slash the cost of federal farm programs.

Recently, dairy farmers from 18 states met in Montpelier for a National Dairy Meeting to discuss the bill and examine ways to target or regionalize the program. The farmers decided to fully support the bill. They also agreed that while the milk supply situation varies from region to region, the milk surplus problem is national in scope and a national solution is necessary, as any policy must treat all regions of the country fairly. It was also agreed that the milk

(cont. on page 19)

surplus "problem" is only a symptom, and not the root of farmers' current financial situation.

In their conclusions, they recommended there be a targeting - regionalizing of the dairy program. The targeting mechanism would require larger producers to cut back production a greater percentage than smaller ones - thereby ensuring that those regions with smaller farms and lower overall production levels would maintain the greatest percentage of their current production. This would be in keeping with the goal of providing maximum support to small family sized farms.

We should and will continue to encourage open and vigorous debate of farm policies, including the Farm Family Act, because they are so crucial to Vermont. But our discussion should be based on facts - not innuendo - with the goal of finding a fair and workable solution for our family farms and our rural economy.

Anothony Pollina
Executive Director of
"Rural Vermont"

Vermont Beef Producers Association
P.O. Box 218, Rochester, VT 05767
July 27, 1987

TESTIMONY OF CARROLL G. BOWEN, PRESIDENT, VERMONT BEEF PRODUCERS ASSOCIATION BEFORE THE U.S. SENATE AGRICULTURE COMMITTEE HEARING COMMITTEE CHAIRMAN PATRICK LEAHY PRESIDING MONDAY, JULY 27, WINOOSKI, VERMONT

Mr. Chairman, Senators, Secretary Lyng:

With other Vermont farmers may we welcome you to Vermont, a farm state moving from a predominantly dairy state to a state rapidly devoting its agricultural resources to diversied farming, including the production of meat livestock including the production of beef.

It is fundamental that the Committee, the Department, and the State of Vermont recognize fully the fundamental and profound change that is underway in Vermont agriculture and in the agriculture of the Northeast. Dairy farmers are planting orchards. Truck and fruit growers are adding livestock. Diverse markets for diversied farm produce are opening and diverse marketing strategies are being pursued.

It is most unfortunate that in scheduling the meeting of the Senate Agriculture Committee in this State at this time, the staff of the Committee and the Commissioner of Agriculture of the State could find no place on the organized program for representatives of diversied agriculture to speak.

All three scheduled panels are impacted by the trend toward diversied farming including the production of beef.

With regard to Dairy, Project TOWARD 2005 estimates a 45% cut in the dairy herd over the next decade while predicting a doubling of the beef herd. The Project also notes a tenfold deficiency in New England in the production of the beef here consumed. The Project's trends are already understated as regards the reduction of the dairy herd and the increased beef stocking in the region.

With regard to Rural Economics, the coexistence of dairying with orchards, crop farms, farm markets, and diverse enterprise embracing tourism, restaurants, lodging, and recreation, trends already begun, will grow in substance and application. Sheep, pork, beef production along with horses and dogs for recreational uses hold significant commercial potential in assuring rural economic health and diversified farm practice.

With regard to Conservation, diversied farming again is highly relevant, and the increased production of beef is the corollary to keeping land open for subsequent productive use, or keeping under management the acreage left vacant by the dairy buyout, or by the sale of primary farm land to primary home development and small farm subdivision.

Beef producers are practioners of diversied agriculture in a State

increasingly dependent upon diversity for surviving agriculture. Beef production supports the new agriculture while preserving the quality of landscape and life that renders Vermont its unique environment. Beef producers speak with the orchardists, the vegetable farmers, the other producers of meat livestock, small scale and large, in claiming the attention of the Committee and the Department to changes in process, and the requirments of these changes in national and state agricultural policy.

Specifically, the Vermont Beef Producers Association has for nearly four decades provided leadership, training, and education to the producers of beef in the State of Vermont. Changes in the goals and nature of this production have included a shift from predominantly purebred cow-calf herds to significant increase in commercial herd, purbred and crossbred, from private treaty sales to telephone auctions, from small to mid- or large scale operation. Currently the Association provides the major organized source of training and education in beef production management to a beef industry still fledgling. Its Weighing and Grading Program of the past fifteen years has increased the average weaning weight of participating herds by nearly fifty percent. This program like others was supported fully by the Extension Program at its beginning. Now Weighing and Grading in cost and administration is jointly borne between an Extension service with fewer resources to cover the increased range of its programs, programs resulting from diversied agricultural practice. Extension must be supported in order to continue its assistance to a changing agriculture, and a critical management program such as Weighing and Grading must be continued in order to strengthen a small but vital beef industry.

The VBPA through its short courses, annual meetings, exhibits, youth programs, field days, and tours have offered without external support public education and training to those beginning diversied agricultural practice. Now second order education and training is required with more depth and new focus to meet current beef industry requirements in Vermont.

A major opportunity for the Vermont beef industry was created with the passage of the 1985 Farm Bill which contained the Beef Promotion and Research Act making possible the uniform national check-off of $1 per head sold to fund promotion and research programs. This year past, VBPA contributed founding direction and staff to the Vermont Beef Industry Council which is now organized; whose Board like that of Wisconsin has dairy membership outnumbering its beef membership by four to one; and which has provided an opportunity for dairy and beef industries to constructively address shared meat promotion issues and marketing problems.

Let us call the attention of the Committee, the Secretary, and the Commissioner to just three issues which seriously constrain the Vermont beef industry as practiced by dairy and beef growers alike.

The first is the obsolesence of the existing U.S. government meat grading standards and its unreality as contrasted with the meat marketplace. A

standard that obligates the growing of fat which then must be trimmed as waste, hot or cold, before the product can be sold needs replacement now, not more study and delay. New grades reflecting market requirements and new standards to insure those grades be provided are needed now. They can only result from a joint initiative of the whole beef industry, including producers as well as processors, with Congressional and Departmental leadership, in order to overcome the resistance of the processing industry, of entrenched inspection practice, and of employment security for outmoded and inappropriate practice.

The second, closely related, is the importance of meat processing capability to meat producers in Vermont and the Northeast. Local production can succeed only where the essential processing infrastructure is in place. Loans for the support of indigenous processing capabilities are important to the meat economy in Vermont and New England, and must be given high priority in the farm loan arena. Co-op processing facilities warrant consideration for loan support on the same footing as private ownership applicants.

The third involves the change in administration of continuing federal agricultural programs. Successful continuing administration of existing farm programs must reflect the shifting nature of agriculture practice in Vermont and the Northeast. The domination of Agricultural Stabilization and Conservation Service boards and programs, for example, by a single if once dominant agriculture user group must be replaced by, and practices redirected among, other appropriate participants from diversified farming.

As an industry in Vermont, we are specifically not asking for restrictive trade practice, Mr. Chairman. We accept the importation of Australian hamburger and New Zealand lamb as a challenge, not an affront. Until we in New England once again raise the beef, poultry, pork, and lamb we eat, there is a local and regional production challenge to be met. The Vermont Beef Producers Association, the State of Vermont Beef Promotion Board, and the Vermont Beef Industry Council seek, with your selective assistance, to increase Vermont's role in rendering New England self-sufficient in producing its meat requirement.

Thank you for the opportunity of submitting testimony to your hearing, Mr. Chairman. Our association and other associations representing practioners of diversified agriculture deserve a seat at the table of future hearings of your Committee because our present contribution to the whole agriculture of Vermont and the Northeast is growing, and because your Committee must legislate for the future of our nation's agriculture as well as address the special requirements of its past.

Testimony Before the Senate Agriculture Committee
Burlington Vermont
July 27, 1987
Paul A. Stone
Dairy farmer, Orwell, VT

The whole herd buyout has worked. Production is down temporarily. We now must have a program to keep production down. Something simple.

We need a program to remove cows from production. The dairy problem for the past seven years has been too much milk production because there were too many cows. And there still are.

We have all the statistics necessary to estimate the amount of milk needed and the number of cows necessary to product it. Excess cows should be removed to prevent surpluses.

Dairy Heifer Incentive Program

A federal program should be enacted to encourage dairy farmers to sell dairy heifers for slaughter. The program could be very simple. Just offer $100 to $200 per heifer calf sold. The incentive could vary inversely to the differential or in someway be inversely proportional to the amount of CCC pruchases from a region, i.e. pay a higher incentive where there is too much milk.

Advantages:

1. Inexpensive-- $150 million would remove 1 million calves. This removes more potential production than the whole herd buyout that cost $1.8 billion.

2. Farmers would not be removed.

3. Simple to administer.

4. Beef market would not be flooded.

5. Can be applied regionly

6. Existing legislation would not have to be changed. A simple bill would do it.

15 Barre Street
Montpelier, Vermont 05602
(802) 223-7222
Rural Vermont

June 1987

Senate Agriculture Committee submitted 7/27/87

The enclosed is a report on "The Economic Impact of the Family Farm Act on Northeastern Dairy Farms, Including a Response to the Cornell University Study of May 1987."

This summary is a joint effort of farmers in New York and Vermont, with technical assistance from the Texas Department of Agriculture. It is an effort to look realistically at the impact of the Family Farm Act program on area dairy farmers. By necessity it is in part a response to a study of the Family Farm Act recently released by Cornell University on the impact of the Family Farm Act on New York State dairy farms.

Previous studies, such as the one conducted by the Food and Agricultural Policy Research Institute (FAPRI) confirmed that the Family Farm Act program would on average increase net farm income, slash taxpayer costs, bring supply and demand into balance and fund food and hungar programs while bringing modest increases in consumer prices.

This research in this report shows the program will also have a positve impact on Northeastern dairy farms.

This report is offered as part of our effort to encourage open debate on farm policy in general and the Family Farm Act concepts of parity pricing and supply managment.

We can also make available more information concerning the Family Farm Act, including full results of the study conducted by FAPRI and a Summary and Recommendations of the National Dairy Meeting, held in Montpelier, Vermont in March of 1987.

For information or to receive these materials contact Rural Vermont or the New York State Farm Alliance.

15 Barre Street
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June 1987

Economic Impact of the Family Farm Act on Northeastern Dairy Farms, Including a Response to the Cornell University Study of May 1987

Results of work done by farmers in Vermont and New York show that Northeastern farmers will see significant gains in net income under the proposed Family Farm Act, contradicting a recent Cornell University report. The greatest increases in income, they find, will be enjoyed by the smaller farms.

According to their research and drawing upon the Cornell study, "The Impact of the Family Farm Act on New York Dairy Farmers," even small farms that buy all their grain would see their net income on average increase by 97 percent, even with a 15 percent production cutback and higher grain prices.

The Family Farm Act would allow farmers to vote on a program of mandatory supply management and higher farm prices. In the first year of the program farm prices would be set at 70 percent of parity, increasing 1 percent of parity each year for the next ten years. The program would be instituted only after a farmer referendum gave its approval. Every four years another referendum would be held to see if farmers want to continue the program.

The Cornell study looked at the impact of the bill on representative New York State dairy farms.

But farmers in the Northeast have uncovered serious misconceptions that undermine the conclusions of the Cornell study.

The farmers have presented solid evidence that the Cornell study uses the wrong figures for both milk prices and feed costs. The 70 percent of parity milk price used in the Cornell study is too low and the grain price is much too high, according to the dairy farmers.

Milk Prices: Should the Family Farm Act pass in 1987 and be enacted in 1988 the milk price at 70 percent of parity would be $16.95/cwt, not $15.02 as claimed in the Cornell study.

Even using current parity levels (with today's low grain costs) the $15.00 estimate of 70 percent of parity is low. Milk parity currently stands around $23.00 per cwt. 70 percent of that figure

would bring milk prices on average to $16.10. With the expected increased cost of feed grain, the milk parity levels would be higher. Because the proposed legislation maintains the existing market order system, farmers studying the bill estimate 70 percent of parity will be $16.95/cwt in the Northeast.

Farmers who have worked closely on the bill say its intent is clearly to include all production costs, including grain, in determining the milk price, immediately at the outset of the program. Because the traditional definition of parity includes only the previous ten years expenses, farmers say the bill's sponsors will strengthen the language of the dairy section to assure all product costs are immediately factored into the milk price.

The important thing, they point out, is that the average blend price will be closer to $17/cwt in the first year of the program - not $15 as stated in the Cornell study.

Grain Prices: The Cornell study greatly overestimates the cost increase of grain. The Cornell study assumes incorrectly that all of a dairy farmers grain cost goes directly to the purchase of whole grains which would be directly affected by the parity increase. The Cornell study assumes, incorrectly, that all the costs associated with feed grains will increase. Actually, the price of each ton of feed contains fixed costs. Transportation, milling, salt, minerals, molasses, sales and profit to name a few. These costs are not affected by the change of parity, but remain constant. Furthermore, commercial feed does not depend solely on whole grain. It depends in large part on byproducts from the manufacturer of other food-related products, which would be far less effected by a price increase at the farm level.

Farmers, therefore, take exception with the factor used to compute grain prices in the Cornell study. Cornell multiples grain costs by a factor of 2.29 to determine increased grain expenses under the bill. This greatly overestimates the cost increase of grain according to farmers, whose research shows the actual increase would be much closer to a factor of 1.5 or 1.6.

Table I was prepared by researchers at the Texas Department of Agriculture at the request of Rural Vermont. It presents income changes for small, medium and large "forage only" (farms that buy all grain), and some grain farms, using the representative farm budgets developed for the Cornell study.

The results show that, for example, with a 15 percent production cutback, forage only farms would realize gains in net income of, on average, between 40 percent and 97 percent.

New York dairy farmers recently meet with Harry Kaiser who prepared the Cornell study, outlined their concerns and conclusions and requested that he re-examine and correct his assumptions and results.

The farmers point out that their projections and conclusions are supported by the results of an extensive study of the Family Farm Act by the Food and Agriculture Policy Research Institute (FAPRI). FAPRI is an independent analytical group, sponsored by Congress and

the Universities of Missouri and Iowa State to provide objective economic impact statements regarding various farm legislative proposals. As such, FAPRI does not endorse or denounce any particular farm bill.

FAPRI found that the Family Farm Act would on average increase farm income while slashing government costs.

Northeastern farmers also point to the broad coalition of farm, religious, consumer and labor groups working in support of the bill as evidence that higher farm prices and the Family Farm Act have the support of many consumers as well as farmers.

The farmers also say a recent Washington Post story that uncovered a major, high priced, lobbying effort by agribusiness to kill the Family Farm Act helps explain a lot of the misinformation currently circulating about the bill's impact.

They also remind fellow New England dairy farmers that amendments to the Family Farm Act are being developed to target/regionalize the bill, in an effort to further protect the Northeast and other milk deficit areas.

(Table II outlines the impact of the Family Farm Act on two representative New York dairy farms.)

Submitted by: Anthony Pollina
Executive Director
Rural Vermont
15 Barre Street
Montpelier, VT 05602
802/223-7222

John Hathaway
New York State Farm Alliance
Ilion, NY 13357
315/822-6216

Table I

Increase in Income Provided by Family Farm Act for
Typical New York Dairy Farms
Using Cornell Model
With Actual 1988 Family Farm Act Prices*

Forage Only - Case 1

	Net Income	% Change in Net Income
Small (Current)	$ 3,820.23	
0% Reduction	$10,032.56	162.62%
15% Reduction	$ 7,530.19	97.11%
30% Reduction	$ 5,029.82	31.66%
Medium (Current)	$ 7,454.13	
0% Reduction	$16,543.53	121.94%
15% Reduction	$12,802.69	71.75%
30% Reduction	$ 9,061.85	21.57%
Large (Current)	$43,199.77	
0% Reduction	$67,865.21	57.10%
15% Reduction	$60,567.16	40.20%
30% Reduction	$47,270.10	9.42%

Dairy Some Grain-1A

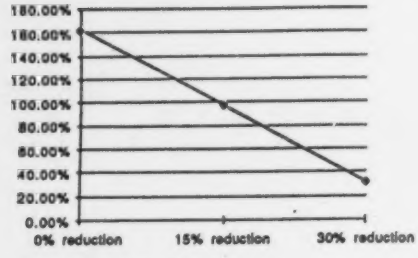
Small (Current)	$ 5,949.00	
0% Reduction	$21,054.71	253.92%
15% Reduction	$20,058.56	237.18%
30% Reduction	$18,219.40	206.26%
Medium (Current)	$ 5,675.00	
0% Reduction	$35,434.17	524.39%
15% Reduction	$34,158.44	501.91%
30% Reduction	$29,973.72	428.17%
Large (Current)	$ 56,285.00	
0% Reduction	$121,355.40	115.61%
15% Reduction	$119,318.04	111.99%
30% Reduction	$110,179.68	95.75%

*Research: Texas Department of Agriculture

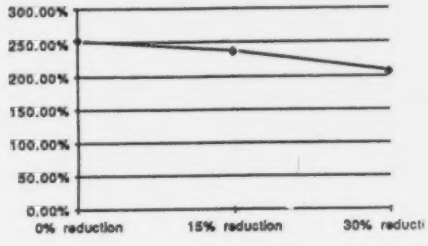
Table IA

Increase in Income Provided by Family Farm Act for
Typical New York Dairy Farms
Using Cornell Model
With Actual 1988 Family Farm Act Prices*

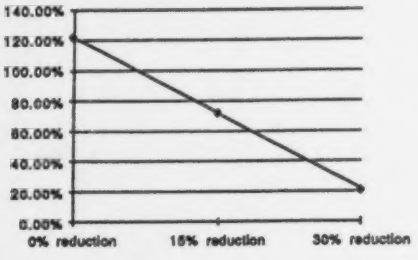
Small Forage Only Dairy



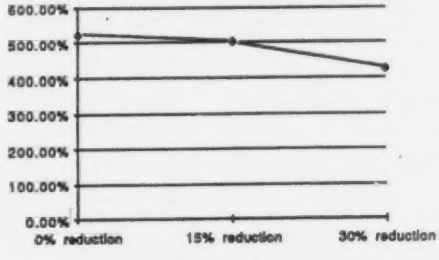
Small Some Grain Farms



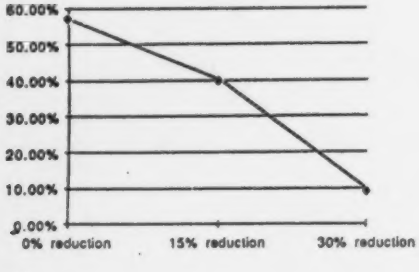
Medium Forage-Only Dairy



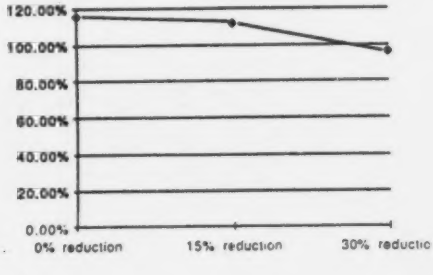
Medium Some Grain Farms



Large Forage Only Dairy



Large Some Grain Farms



*Research: Texas Department of Agriculture

Table II

ECONOMIC IMPACT OF THE FAMILY FARM ACT OF 1987 ON THE NORTHEAST DAIRY FARM

by
John Hathaway, Ilion, NY
315/822-6216

USDA January 1987 parity milk price = $22.90
Food Security Act support price at 3.67 = $11.10 (BF Diff = .155)
(Present support at 48.5% of parity)
Milk support price changes at 3.67 BF
Family Farm Act support price at 3.67 = $16.03 (BF Diff = .223)
Family Farm Act increase in support price = $4.93 (BF Diff = .068)

Family Farm Act support price adjusted to 3.5% BF = $15.65
Food Security Act support price adjusted to 3.5% BF = $10.84
Calculated Fed. Order 2 minimum blend price under
Family Farm Act = $16.93.

If the price of a ton of feed is broken into actual ingredients versus handling cost, the price of a ton of feed would go up by 60% or by a factor of 1.6 under Family Farm Act.

ALL FIGURES FOR THIS WORK REPRESENT JANUARY 1987 PRICES AND PARITY

CORN	30% present parity price	$ 51.07T
	vs. 70% parity price	$119.17T
SOYBEANS	40% present parity price	$156.33T
	vs. 70% parity price	$273.58T
*SOYMEAL (44%)	40% present parity price	$131.32T
	vs. 70% parity price	$229.81T
BARLEY	37% present parity price	$ 65.83T
	vs. 70% parity price	$124.55T

*.84 M factor: soymeal is only 84% of whole soybean

PRESENT PARITY PRICE	TRANSPORT & HANDLING	DELIVERED AT FARM
$ 51.07T Corn	$28.93T	$ 80.00T
$131.32T Soymeal	$68.68T	$200.00T
$ 65.83T Barley	$ 9.17T	$ 75.00T
Prices Delivered to Farm at 70% Parity		
$119.77T Corn	$28.93T	$148.10T
$229.81T Soymeal	$68.68T	$298.49T
$124.55T Barley	$ 9.17T	$133.72T

Table II- Continued

REPRESENTATIVE FARM ONE: 65 Cow Farm

Grain Formula Present Price

800 lbs.	Corn	x	$ 4.00	=	$ 32.00
500 lbs.	Barley	x	$ 3.75	=	$ 18.75
650 lbs.	Soymeal	x	$10.00	=	$ 65.00
50 lbs.	Salt and minerals at		$ 9.00	=	$ 9.00
	Present Costs				**$124.75**

Grain Formula 70% Parity Price

800 lbs.	Corn	x	$ 7.41	=	$ 59.28
500 lbs.	Barley	x	$ 6.69	=	$ 33.43
650 lbs.	Soymeal	x	$14.92	=	$ 97.00
50 lbs.	Salt and minerals at		$ 9.00	=	$ 9.00
	70% Parity Costs				**$198.71**

This is an increase of 59% or 1.59

Present

Milk produced	12,364 cwt at $12.09 blend price	=	$149,480.76
Grain fed	206 Tons at $124.75 per ton	=	25,698.50 (FSA)
	Left for Expenses		**$123,782.26**

Family Farm Act

Milk produced	12,364 cwt at $16.93 blend price	=	$209,322.52
Grain fed	206 Tons at $198.71 per ton	=	40,934.26 (FFA)
	Left for Expenses		**$168,388.26**

FFA Impact at 10% Production Cutback

$188,390.26	10% cutback in milk production @ $16.93/cwt
36,840.83	Grain decreased 10% @ 198.71 Ton
$151,549.43	Left for expenses (increase of $27,767.17 over current program)

FFA Impact at 15% Production Cutback

$177,924.14	15% cutback in milk production @ $16.93/cwt
34,794.12	Grain decreased 15% @ 198.71 Ton
$143,130.20	Left for expenses (increase of $19,347.76 over current program)

TABLE II-CONTINUED

REPRESENTATIVE FARM 2: 90 Cow Farm
Top forage program/Boughten commercial ration fed 1-4 ratio

Present

Milk produced	16,427 cwt	at $12.09 blend price	=	$198,602.43
Grain fed	205 Tons	at $136.00 per ton	=	27,880.00 (FSA)
		Left for Expenses		**$170,722.43**

Family Farm Act

Milk produced	16,427 cwt	at $16.93 blend price	=	$278,109.11
Grain fed	205 Tons	at $216.24 per ton	=	44,329.20 (FFA)
		Left for Expenses		**$233,779.91**

FFA Impact at 10% Production Cutback

$250,298.19	10% cutback in milk production @ $16.93/cwt.
39,896.26	Grain decreased 10% @ $216.24/ton
$210,401.93	Left for expenses (increase of $39,679.50 over current program)

FFA Impact at 15% Production Cutback

$236,392.74	15% cutback in milk production @ $16.93/cwt.
37,679.82	Grain decreased 15% @ $216.24/ton
$198,712.92	Left for expenses (increase of $27,990.49 over current program

An article from the Washington Post, "Agribusinesses Fund Fight Against Crop-Control Bill--USDA Ex-Officials Head Lucrative Effort," by Ward Sinclair, Washington Post staff writer, May 13, 1987, is retained in the committee file.

Betsy Frohlich, president, United Maine Producers,
a dairy farmer from Skowhegan, Maine
contributed this article

FARM PRICE -- STORE PRICE

The chart below points out the great difference between prices received by farmers and the prices dairy products are sold for in the stores. The research and letter is the work of a dairy farmer from the state of Maine.

Recently, we Maine dairy farmers presented a 75% parity ($7.40 per cwt.) contract to a local handler. The handler insisted that 3.00 per cwt. could not be placed on Class I milk, and that we must address the Class II issue. He suggested it wouldn't be fair to the processors or cheese makers to place the same .3.00 per cwt on the Class II.

I confess, the whole idea stumped me at first. We've all been under the assumption that Class II handlers make less & that's why our Class II price is less...right?

The very 1st thing I did, was to call the University of Maine to find out exactly how much milk it took to process each product.

1 lb. cheddar- 10 lbs. whole milk.

1 lb. cottage cheese- 6.36 lbs. skim milk.

1 gal. ice cream- 12 lbs. 3.6% whole milk.

1 lb. milk power- 7.4 lbs. skim milk.

1 lb. butter- 21.2 lbs. whole milk 3.5%.

Also, it's necessary to know that cream is only 32% butterfat. 100 lbs. of 3.5% milk or 3.5 lbs. butterfat makes roughly 10.5 pints of cream.

100 lbs. of 3.5 milk that the farmer sells for $12.25 after trucking, advertising, the Buyout & Gramm Rudman, sells per cwt. at the retail level as indicated on the chart below. Some of this milk, once separated, reflects a combination of prices to handler.

Avg. Retail Price Per Cwt.	Avg. Farm Price 3.5	Percent Increase From Farmer to Retailer
Whole milk gal. $24.20	$12.25	98%
Whole milk ½ gal. $25.52	$12.25	108%
Whole milk qt. $26.91	$12.25	119%
2% milk qts. $22.96	$0.50	139%
1½% milk qts. $26.77	$8.71	230%
1% milk qts. $40.37	$7.82	416%
Choc. milk pts. $55.00	$12.25	349%

The wholesale price for plastic containers is 12¢/gal., 6¢/½ gal., and 6¢/qt.

CLASS II

Each and every 100 lbs. of our milk retails for those final cwt. prices in various forms & combinations.

Avg. Retail Price Per Cwt.	Avg. Farm Price 3.5	Percent Increase From Farmer to Retailer
Cream pts. $17.53	$6.195	
Skim from $24.53	$6.055	
Same 100 lbs. $42.06	$12.25	243%
1 Lb. pkgs. cheddar $32.00	$12.25	161%
whole milk		
Cottage cheese lb. pkgs. $17.44	$0.05	175%
(Does not include butterfat)		
Ice cream gallons $47.00	$12.25	283%
Lb. pkg. powdered milk $17.44	$6.05 Skim	175%
Does not include prices when used in cocoas, pudding, etc..		
(Does not include butterfat)		
Butter, Buttermilk Skim $44.40	$12.25	262%
Restaurant *Wholesale		
Creamers ½ oz. $33.56	$12.25	174%

A local retailer, who is truely sympathetic to the plight of us farmers invited me to look at his books. He showed me exactly what he pays the handler and how much he makes product by product.

His milk sales averaged him 9-14%. Ice cream 24%, cheddar and cheeses between 19 & 21%. That's not much considering the % increases from farmer to retailer.

No where in my figuring have I used processing costs, as I was not able to get any figures. I was refused such figures on the grounds that they are confidential. Obviously the handlers and Co-op management do have expenses, but how many of them do you suppose have wives and children working for nothing to keep their operations going?

It's time to dispell the Class II myth and it's time to demand a price.

This is no more than public information, which any one of us could have found out and I just don't know why we never did it before?

Betsy Frohlich

Oct. 27, 1990

FARM PRICE - STORE PRICE

The chart below points out the great difference between prices received by farmers and the prices dairy products are sold for in the stores. The research was done by a Maine dairy farmer.

Avg. Retail Price Per Cwt.	Avg. Farm Price 3.5	Percent Increase From Farmer to Retailer
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Whole milk ½ gal. $25.52	$12.25	108%
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1½% milk qts. $26.77	$8.71	230%
1% milk qts. $40.37	$7.82	416%
Choc. milk pts. $55.00	$12.25	349%

The wholesale price for plastic containers is 12¢/gal., 6¢/½ gal., and 3¢/qt.

CLASS II

Each and every 100 lbs. of our milk retails for these final cwt. prices in various forms & combinations.

Avg. Retail Price Per Cwt.	Avg. Farm Price 3.5	Percent Increase From Farmer to Retailer
Cream pts. $17.53	$6.195	
Skim from $24.53	$6.055	
Same 100 lbs. $42.06	$12.25	243%
1 Lb. pkgs. cheddar $32.00 whole milk	$12.25	161%
Cottage cheese lb. pkgs. $17.44 (Does not include butterfat)	$6.05	175%
Ice cream gallons $47.00	$12.25	283%
Lb. pkg. powdered milk $17.44. Does not include prices when used in cocoas, pudding, etc. (Does not include butterfat)	$6.05 Skim	175%
Butter, Buttermilk Skim $44.40	$12.25	262%
Restaurant *Wholesale Creamers ½ oz. $33.56	$12.25	174%

STATEMENT OF DESIREE GAREN,
ADDISON COUNTY COMMUNITY ACTION, MIDDLEBURY, VT

Thank-you Mr.Chairman and other committee members for the opportunity to present written testimony to you. Although I represent Addison County Community Action as an outreach worker, the needs of the working poor and those on fixed incomes aren't characteristic of just Addison County residents but rather statewide.

The issues I have choosen to address are the Food Stamp and the surplus Commodity Programs. These programs may not seem as important as dairy supports and Rural Development issues but I feel there is a definite correlation between them. In recent months there has been much discussion concerning the declining use of Food Stamps. In my opinion, this is not an indicator that employment or wages have risen to a decent standard of living. But rather federal Food Stamp changes have made it more difficult to qualify.

Vermont has taken the attitude that we look out for our own and provide a helping hand when necessary. A federal Food Stamp Regulation says unless one is elderly or disabled all household income must be counted, if all are related. This is a penalty to most families. The government encourages less dependence on the Welfare System and more emphasis on the work ethic. A federal regulation called" Monthly Reporting" actually works in reverse. It is easier to get Food Stamps by not working than to work. Food Stamp households who have earned income must file a monthly report form along with verification of income. Not only is it embarrassing to ask your employer to sign a statement every month,it becomes a hassle that isn't worth the little amount received in Food Stamps.

The new federal change that lowered the fuel and utility allowance has meant a decrease of approximately 7.00 to 8.00 dollars a month in Food Stamp benefits. Our clients haven't witnessed a decrease in heating costs nor have they seen the cost of food decrease.

The surplus Commodity Program is one of our most popular services and the most depressing. It is not a pretty site to see young and old alike wait in line for a free hand-out. A hand-out that often makes the difference between an empty stomach during the last week of every month. The number of people receiving commodities has not decreased but has tripled since 1982. For a commodity worker the accounting process is troublesome and frustrating. As a co-worker once said " the fed's are more worried about a poor person getting an extra box of cheese than spending thousands of dollars storing it". I would like to see the Commodity Program expanded to include friuts, vegies, and meat. As these products are the most often not purchased by low income families because of cost.

Desiree Garen
A.C.C.A.G.
Box 165
Middlebury, VT
05753

July 27, 1987

The Vermont Dairy Goat
Marketing Association

U.S. Senate Agriculture Committee

Dear Sirs:

Within the next few years it appears that the sale of unpasteurized milk will be illegal throughout the United States. It is a matter that individual states will decide, but the pressure to make those changes has come through the CDC and the FDA.

The Vermont Dairy Goat Marketing Association would like to let your committee know what the banning of unpasteurized milk will mean to the Vermont and the U.S. dairy goat industry.

There are three licensed goat dairies in Vermont whose only commercial outlet for milk within the state is the Vermont Butter and Cheese Company. Those three dairies are small, none of which has more than fifty milkers.

Vermont laws now allow those three dairies the opportunity to become licensed raw milk dealers. Laws also allow a number of even smaller goat dairies to sell up to 26 quarts of milk a day to consumers. The milk can be raw and the dairies do not have to be lice sed.

It is difficult to know exactly how many people raise goats in Vermont. It is equally difficult to know how much goat milk is consumed in Vermont.

Membership lists from the American Dairy Goat Association, The Central Vermont Goat Association and the Southern Vermont Dairy Goat Association may indicate an hundred or so members but those are goat owners who are interested in joining organizations. Most goat owners would readily admit that they are not joiners but people who would rather take the the time available to them and put it into maintaining a link with the land through their animals than being a member of an organization.

Goat owners in Vermont, as well as throughout the United States, represent one of the most vital links between people and agriculture. In an age of corporate control of agriculture there still exists a group of people who believe it is worth the effort to keep a few goats to provide their own dairy products and to give themselves a sense of control over their lives.

There are a number of large commercial goat dairies and growing commercial goat cheese operations in the U.S. but, in terms of number of goat owners, they are the exception rather than the rule.

The dairy goat industry will probably never have a significant economic impact on the overall U.S. agricultural scene but it represents a spirit that is American in the purest sense. Keeping one or two dairy goats gives people the freedom to choose to have more control over the food they eat.

When the sale of raw milk becomes illegal it will cost goat dairies about $25,000 to become equipped to sell pasteurized milk. That is a figure based on the purchase of new equipment and includes all the work required for set-up, including wiring and installation.

It is extremely difficult to find pasteurizing equipment suitable for small quantites of milk such as that handled by goat dairies. If such equipment were developed and available at a reasonable cost government agencies as well as small goat dairies might stand closer together on the issue of pasteurization.

Our association is not addressing the pro's and con's of pasteurization. We realize the inevitability of the law and are trying to deal with it as realistically as we dan. That is why we will be putting our energy into coming up with funds to help develop equipment for small quantity pasteurization.

Yours truly,

Richard Davis

Richard Davis
RFD#3 Box 375 A
Guilford, Vermont 05301
For the Vermont Dairy
Goat Marketing Association

P.S. We have enclosed material that we believe will give you a broader perppectibe on the pasteurization issue as it relates to goat milk.

The following listed material is held in the committee files:

United Caprine News, vol. 11 No. 4, Rotan, Texas 79546, July 1987
3 sections, 68 pages, articles of interest:
"Jackson-Mitchell Makes Grant To UC-Davis For Goat Milk Study," by Judy Kapture, Portage, Wisconsin
"Twenty Names To Appear On American Dairy Goat Association (ADGA) Election Ballots"
"Goat milk industry to be explored by Agriculture Dept.", by Richard Davis, The Brattleboro Reformer, Brattleboro, Vermont, May 30, 1987

ATTEMPT MADE TO BAN ON-FARM MILK SALES

As most of you are aware by now, the Minnesota State Senate proposed to delete the clause in the milk statute that allows us to sell milk from the farm. We opposed this move due to the impact it would have had on all of our members.

The bill is reprinted below for your information. On the basis of testimony heard 4/1/87, Senator Vickerman "laid by" the bill. This means it will not come to a vote this session. It could come up again next year though.

Many thanks to all who came to the hearing. Partial testimony is included in this GGG. More will be printed as it becomes available.

Senators Vickerman; Frederickson, D. R.; Brataas and Freeman introduced--

S. F. No. 1090 Referred to the Committee on Agriculture

A bill for an act

relating to agriculture; requiring all milk sold for human consumption to be pasteurized; amending Minnesota Statutes 1986, section 32.393, subdivision 1.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 1986, section 32.393, subdivision 1, is amended to read:

Subdivision 1. [PASTEURIZATION.] No milk, fluid milk products, or goat milk shall be sold, advertised, offered or exposed for sale or held in possession for sale for the purpose of human consumption in fluid form in this state unless the same has been pasteurized and cooled, as defined in section 32.391~~; provided, that this section shall not apply to milk, cream, skim milk, or goat milk occasionally secured or purchased for personal use by any consumer at the place or farm where the milk is produced.~~

19.

Testimony before the Minnesota Senate Agriculture Committee
April 1, 1987

In opposition to banning all sales of unpasteurized milk.

by Mark Boorsma, MDGA President

Banning all unpasteurized milk sales imposes a severe and disproportionate economic loss to dairy goat milk producers. While there is an established market for cows' milk, a market which is heavily subsidized by government, most goat milk producers have only on-farm sales to rely on. Less economic loss would be suffered by most cows' milk producers, since all they need to do is call the truck to come pick up their milk. So any milk they may currently be selling unpasteurized could be re-directed and sold through the creameries. However, goat milk producers have no truck to call. The only current market for pasteurized goat milk is the metro area market, developed and served by Poplar Hill Dairy Goat Farm. S.F. 1090 must be stopped, or every goat farmer in the state, save Vincent, would be shut down. We object that our current, legal market for raw goat milk would be stripped from us without just compensation. Either defeat S.F. 1090 or subsidize an alternative marketing system for our producers.

S.F. 1090 must be defeated to preserve the current, legitimate source of wholesome goat milk. For many of us dairy goat milk producers, our sale of goat milk is premised on the fact that some comsumers NEED our milk. Families with infants who are cows' milk intolerant, children with allergies, and adults with ulcers or digestive problems - all seek out the dairy goat farmer. They come to us, not vice versa. We are forbidden to advertise under the present law, and yet consumers seek us via word-of-mouth. S.F.1090 seeks to make criminals of these consumers and those producers who in good faith seek to provide a wholesome product. Those who have the good fortune to live in the metro area would be able to secure pasteurized goat milk at Lunds or Byerly's, but S.F. 1090 would say "tough luck" to consumers in Princeton, Hutchinson, LeSueur, Willmar, Worthington, and elsewhere in greater Minnesota. If you deprive these people of the currently legal source of goat milk, you will not remove the demand, only the wholesome supply. Those who NEED goat milk will still seek it, from "black market" sources. Grade A raw milk producers, already under state scutiny, certainly would cease to sell raw milk. The net effect would be to drive the consumers to less wholesome sources. In effect, S.F. 1090 would discourage the legal production of wholesome goat milk by conscientious producers.

MINNESOTA SUNSET SAANENS
****
Buck Service
Purebred Stock
for sale
Abscess free
C.A.E. Negative
****
Tim and Nancy Heimsness
Rt. 3, Austin, MN 55912
507-433-5698

20.

Testimony before the Minnesota Senate Agriculture Committee
April 1, 1987

In opposition to banning all sales of unpasteurized milk.

by Jim Sheldon, Grade A goat milk producer

My name is Jim Sheldon. My dairy goat credentials are simple. I was state show chairman for 11 show seasons. I am Dairy Goat Superintendent for the Washington County Fair. Since 1980 I have been Dairy Goat Superintendent for the Minnesota State Fair. And this year I am also chairman of the American Dairy Goat Association National Show held at the California State Fair in Sacramento. We are expecting 2100 dairy goats to enter in that competition.

We have a small dairy goat farm in May Township in North Washington County, District 55-A. We went Grade A in 1977, the same year we went on DHIA test. We were the first Certified Brucellosis-free and Accredited Tuberculosis-free Goat Herd in Minnesota. For 15 years we have produced and aold pure unpasteurized goat milk. Our numerous customers have been of all age groups. All of these customers have sought us out for a specific need of goat milk or raw milk, or both. Some of these customers have also come because of health reasons, such as an intolerance to cow's milk, OR they have made a conscious, intelligent, and specific decision to drink milk as close to its source of origin in its pure raw state. They have deliberately not chosen to drink milk that has been processed. This clearly falls within their Constitutional Right to life, liberty, and the pursuit of happiness.

Selling such a pure product is an act of faith and trust. We meet our customers face-to-face. And when we hand them their milk we can look them square in the eye knowing that we have sold them the best and cleanest milk possible. No fecal contamination as I've witnessed. No screw-up on withholding milk when antibiotics are used in treating a sick goat. And of course, here is the acid test - we have raised our most precious treasure, our children, on pure raw goat milk. Let me give you one example. Our oldest daughter was born in 1969 with many birth defects that have needed multiple corrective surgeries. Time and again the doctors have told us that the reason she has pulled through so many life-threatening surgeries is that her overall excellent general health has given her that extra edge to make it. Kari drinks a lot of pure goat milk. You can draw your own conclusions. I have.

The Dairy Goat Industry in Minnesota and specifically the Minnesota Dairy Goat Association has continually taught and emphasized clean milk handling through its Fall Conferences at the University of Minnesota, and through its publication, the Gopher Goat Gossip. We have encouraged and promoted Grade A facilities for our members. We have promoted the dairy goat as a producer of healthy milk. Our goats have not let us down, nor have our producers. We know of no known or documented case or cases of raw goat milk induced illnesses in Minnesota, nor out of state. In general and specifically we feel that we have not deserved this attempt to shut down our milk market. Whatever is behind this proposed bill cannot be laid at the milkhouse door of the dairy goat industry. If it was the Brainerd situation, then this shotgun approach to the problem hurts more people than it helps, and only increases the tendency to be careless around milk, as pasteurizing can cover a multitude of milk-handling sins.

In the light of the shambles of the rural Minnesota economy, this proposed change could bring to the brink of failure, or even put more

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family farms out of business - the Minnesota dairy goat farmer. We get phone calls from rural Minnesotans asking if they raised and milked goats, could they make a living? Under present conditions, it is a shaky yes; but under this proposal, it is an absolute NO.

For example, last month I received a call from a lady in a vocational rehabilitation program in McLeod County. Someone has determined there is a need/demand for goat milk there. The rehab people and the county extension agent have encouraged her and her unemployed husband to consider milking goats. They looked to me for help. What can I offer? Hope? A kind word? Could we dare venture that maybe House File #776, the Beginning Farmer Program, help them?

We have sought support and help from the Minnesota Department of Agriculture. They have been accepting of our industry but have not given what one would call overwhelming support. Case in point, recently the Legislature appropriated money for the Producer associations to make promotional videos. Our proposal was set aside. We were never given counsel on how to make our proposal better or any idea of when we might have our chance. And that hurt.

Neither is this proposal before you consistent with the Department of Agriculture's emphasis on the marketing of on-the-farm products. As you know, this effort was made to help farmers market their products on the farm. We feel we were given this right also. Now there is an attempt to remove that opportunity.

If this proposal leaves committee, you will legislate with one fell swoop the very existence of the Dairy Goat Industry in Minnesota. If we cannot sell the product as we choose, then there is no reason to raise dairy goats.

Remember, goats do not eat tin cans. We buy our feed ration at the feed mill. We buy our hay from a farmer. We buy our milking and farm supplies locally. We utilize veterinary services. We are a part of the agricultural economy. We pay our way. In fact, we have never approached the State Legislature for special considerations. It is sad comment that our only official contact with the Legislature is a punitive one. I've secretly hoped that someday we could stand before a legislative committee and present ourselves in a positive way and seek beneficial legislation for the good of the Minnesota Dairy Goat Producer. Now my hopes are dashed. We now have two powerful state agencies and one professional organization against us. Is there any concern for us out there?

This proposal also cuts the heart out of our emphasis on youth programs, especially the 4-H Dairy Goat Project. When I yearly meet with the Producers Association, I proudly tell of our Association's efforts to support 4-H. No other Producer Associations report such activity. So how can you honestly promote a livestock project that just had its future ripped out? In fact, under this proposal a 4-Her can't even complete his Dairy Goat Record because part of the record pertains to milk products sold. What value is a livestock project if there is no hope of selling its product?

Banning the sale of raw milk puts milk into that not-so-marvelous category of controlled substances (with all its rights and privileges) such as pot, cocaine, heroin, and a host of other drugs. This scenario leads one to the "theater of the absurd." Envision farm raids, milk busts, high speed car chases with milk spilling on the roadways, and county commissioners approving budgets for milk control! Do you think law enforcement agencies will take this seriously? Can you imagine going to jail for selling a wholesome product like raw pure goat milk?

22.

Can you imagine an undercover cop going to a farm, entrapping a raw milk producer into selling him a kilo of raw milk? Will the Six O'Clock News play it up?

No, I really don't think you want to drive raw milk underground where no control or concerns can be addressed. Remember there is a demand out there for raw milk. Now you have at least an idea who and where the raw milk producers are. Now you can openly work cooperatively with the producers to produce and promote even a better product, or at least channel the excess raw milk into other products. Once you lose touch with us, it is goodbye forever! Bootleg milk is not what you want, but is what you might get. Then where will all of you be?

Today while untold number of people were enjoying pure raw goat milk with no ill effects, an even larger number of people were diagnosed with a disease called alcoholism. The family disruption, the pain and agony, the disastrous economic burdens of this disease are well documented. And I humbly and respectfully ask, "Is there a similar hearing tonight banning the sale and consumption of alcohol? No, and shame on us for not doing so."

Today another group of people were diagnosed with another disease called lung disease or emphysema caused by inhaling tobacco smoke. Again I ask, "Is there a hearing tonight banning the sale and consumption of tobacco products? No, and shame on us for not doing so." But we are thankfully making progress towards a smoke-free society. I commend the State Board of Health for airing the excellent non-smoking commercials during the recent high school tournaments.

Last Sunday night the TV program 60 Minutes had a segment on the meat chicken industry. A Missouri processing plant was featured that had 60% of its marketed chickens infected with salmonella. The regional manager for the USDA Federal Meat Inspectors was not surprised at that figure. The industry average is 35%. That'll kill you, brother. Thank God we raise our own chickens and milk our own goats!

So, in the total picture of Minnesota health problems, raw milk is a paper tiger issue. To have a scientific basis for action, a phenomenon must be able to be repeated at least three times to give it any validity for consideration for research; and certainly one event is no basis for legislation! If then this is the case, this proposal is on very shaky grounds. What with only an isolated group allegedly affected by an unknown pathogen in raw milk, and what with really no victims, and what with really no winners; the only ones coming up short will be a host of fine Dairy Goat Producers losing a part of their livelihood including the love and respect for one of the most loving and giving animals known - the dairy goat.

I recommment that this proposal die here in committee. Please enter this testimony into the record. Thank you.

••••••

Edgewood Orchard
CIDER MILL RD. CORNWALL, VERMONT 05753
(802) 462-2729

July 25, 1987

To Members of the U.S. Senate Agriculture Committee:

As the owner of a small family orchard in Cornwall Vt. I am faced daily with problems that arise from sources beyond my control. Somehow though, solutions usually are found and that is a part of the apple business that I enjoy. However, when it comes to finding a solution to an increasingly dwindling supply of pesticides I can use, I am bewildered. I, along with many other growers I know, have taken painstaking efforts to reduce the amount of sprays we use through Integrated Pest Management. We put our finicial lives on the line, streching sprays, cutting recommended rates and taking chances all for the sake of the enviroment.

I would strongly recommend that the FIFRA have Federal guidelines as opposed to Individual State Recommendations, which I fear would force the chemical companies to put out broad - based pesticides for the sake of economy and destroy alot of the efforts that we have worked on for the sake of the enviroment.

Thank you for the opportunity to express my views, I would welcome any comments or concerns.

Sincerely,
Randy Martin

518-846-7171

CHAZY ORCHARDS INC.

WE DELIVER EVERYWHERE

RT. 9 - P.O. BOX 339
CHAZY, N.Y. 12921

July 30, 1987

Senator Patrick Leahy
Senate Office Building
Washington, D.C. 20510

Dear Senator Leahy:

Thank you very much for bringing your Senate Agricultural Committee to the Northeast for the hearing conducted at St. Michaels College on July 27th, 1987. I was in attendance, did not have an opportunity to make a statement, but do feel that your Committee did a great injustice to the commercial fruit growers of the Northeast with the representative that your people alone must have selected to speak for the fruit industry. Not only was that individual completely unknown to all of the fruit growers from New York and New England that were in attendance, but he was a lousy spokesman and completely unqualified to represent the industry.

I would like to have the following statement included in the record of the hearing and hopefully heard by the rest of the Committee.

My name is Donald F. Green, Jr. and along with my wife, two sons and the Farm Credit Service are owners and operators of Chazy Orchards, Inc. in Chazy, New York. I graduated from the University of Vermont, College of Agriculture, back in 1950 and had the glacier millions of years ago not deposited Lake Champlain between us would probably have been a Vermonter. The New England fruit growing industry is more closely aligned to us than is the rest of New York State due to its proximity and similarity in growing conditions.

I would like to remind you that the fresh fruit and vegetable industry is subsidized in no way by the Government and we have never asked the Government to buy any commodities which we could not sell on the open market. However, in this day and age of everyone trying to blame someone else for their problems, I feel the fruit industry is taking a very unfair rap from the public regarding the use of pesticides in producing the food they eat. Doesn't it seem inconsistant to you that, as a group, farmers are statistically more healthy than most any other group of people in the United States considering they are the ones that are handling these pesticides on a daily basis and eat the same food as everyone else does.

It's about time that the American public, and especially some of the self-proclaimed environmentalists, started looking at their own life styles rather than trying to get Government to ban the use of pesticides which is not the cause of their problem. My family has been born and brought up working in the orchard, living in a house located in the middle of the orchard, handling these pesticides on a daily basis during the spray season and probably eating more of these apples than would be the average national per capita consumption. My boys and myself are all 6 footers in good condition and my grandchildren play freely around the farm and pick apples out of the bins to eat anytime they want to. Do you really think that this fruit could be causing anyone health problems?

I would simply like to ask that you and your Committee give favorable consideration to, and approve of, the compromise that I understand was submitted by the House of Representatives to the Senate last year which would establish uniform tolerances for pesticides in food on a nationwide basis. It would be a disaster if you allowed each State to set up their own programs. When you and I get up in the morning on the East Coast we have the same breakfast that is eaten by our friends on the West Coast three hours later. Agriculture simply could not cope with several different sets of rules and regulations if we are going to put a nutritious high quality food product on the shelves across the country.

I assure you that the fresh fruit and vegetable industry in this country is producing nothing but nutritious wholesome food. If we did not, we would be out of business. Unlike other commodities we can't sell to the government items we can't sell to the public.

Thanks again for bringing your Committee to the Northeast and for hopefully giving favorable consideration to my comments.

Sincerely,

CHAZY ORCHARDS, INC.

Donald F. Green, Jr.

Donald F. Green, Jr.

DFG/bc

INTERNATIONAL APPLE INSTITUTE MEMBER

SHOREHAM COOPERATIVE
APPLE PRODUCERS ASS'N. INC.
SHOREHAM, VERMONT 05770
TEL. 802-897-7400

McINTOSH COUNTRY

July 24, 1987

Honorable Senator Patrick Leahy
Chairman Senate Agricultural Committee
Washington, D. C.

Dear Senator Leahy,

I am writing to you as a concerned citizen and representative of New Englands largest apple cooperative. In reading or hearing various news accounts of your stand on pesticide regulation, I am appalled to hear you make comments that are so counter productive to agriculture in the United States.

Your comments regarding unnecessary usage in the U. S. are unfounded. Farmers are not applying dangerous or potentially harmful pesticides at a whim just to make life easier or line their pockets with gold at the expense of human health. In fact, and I am speaking of apple growers primarily, they have undergone a major re-education effort funded by the United States government to use the latest information available in the form of integrated pest management (IPM). IPM is a catchy phrase which means managing crop specific pests to below an economic threshold using both chemical and non-chemical means. I can assure you that no farmer resorts to chemical control unless he has exhausted the usefulness of cultural practices or other non-chemical means. He or she does so for two reasons. One being the high cost of chemical applications and the potential damaging effects it might have on the balance of nature and the management of other pests.

As a pest management minor at Cornell University, I learned early on that management of pests has been a difficult task since the days of early agriculture dating back to the pre-dinosaur era some 10,000 years ago. The problem lies with mans need to concentrate the production of any one crop in a specific area. In the days of the fertile crescent, man did not have a monoculture. Instead, he wandered about the land collecting suitable food, usually seeds from wild grasses, as far as he could walk in a day. Food grew in the wild in balance with nature. As years passed it became obvious that if a specific crop were planted in rows or plots the travel necessary to collect food would be reduced. Thus he was more efficient. With the concentration of selected plants in one area came a more adequate site for crop pests to accumulate.

That is, as man improved his ability to gather food, he also encouraged the build up of crop specific pests because insects and disease organisms now didn't have to rely on being dispersed to plants. They had their hosts provided in one close area. This created the agrolcosystem which is much less diverse than the natural ecosystem and now requires management input from man rather than letting nature do it by itself.

In recent history their are 14 major insect pests known to apple growers. Through years of research at institutions throughout the world we have identified means of controlling twelve of them in non-chemical ways. Control measures utilize predators, parasites, viruses or cultural practices such as resistant cultivars, changing planting times, rogueing of infested plant parts or good sanitation such as removing infested leaves to break the life cycle of these pests. What about the last two? Apple maggots and plum curculio are two critters for which we have no alternatives except chemical control. If insect populations rise within an orchard to above an economic threshold, then chemicals must be applied. The materials used are as pest specific as possible because it is critical to minimize the impact on naturally occurring predators which help keep other pests in control. However, when the pesticide is applied, it does destroy some natural enemies and we end up spraying for all 14 of them.

The point I am trying to make is that we do not have a black and white solution to the world production of food. Not all pesticides are bad and are in fact actually necessary to the survival of man. In a book written by Garrett Hardin, titled "Managing the Commons", 1977, W. H. Freeman and Co., three solutions are offered. I will comment briefly on each.

1. Fence in the Commons - Create vested interest to each person, give enough land to everyone to support themselves. Obvious problems are the inefficiency, lack of land available, an impossible regulatory picture and common natural resources that can't be segregated such as ground water and air.

2. Appeal to the conscience of people - This is what I suspect is most politicions approach. Using media and current hysteria of uninformed constituents to dictate federal and state laws regulating pesticide usage. This type of action may get voter support but it does not reflect a true solution to the problem.

3. Mutual Coercion - Mutually agreed upon policy and law based on informed consent which can provide workable solutions to the safe production of food.

As you work to rewrite F.I.F.R.A. it is important to get the expert knowledge available to enact a meaningful law that is workable. Close attention to the EPA's role as a regulator as well as a facilitator is critical. We should be spending more federal money on research for solutions rather than regulatory action. The general population's rights have to be protected but so do the rights of the special interest groups, such as the American farmer, as he is becoming known.

The EPA should dictate the law and not leave decision making entirely up to the individual states. The authority on solutions to the problems should be at the highest level of government rather than the various levels of competence of individual states.

Secondly, allowing each individual state to set tolerances of food contaminents can have a dramatic effect on fair trade.

A growth regulator used in the apple industry, daminozide or Alar, as it is commonly called, provides us with an example of why we must have national uniformity on pesticide residue tolerances.

In May of 1986, the states of Maine and Massachusetts ignored the federal standards set by the EPA, and implemented their own tolerance levels. This created a major uncertainty to all fruit producers. Although legal to use the compound, growers weren't sure if they should treat their crops. The major processor of apples, located in Massachusetts, which handles the majority of processed apples in New England was put at a distinct disadvantage over all other processors in the United States. With the stricter tolerences they could only purchase untreated fruit for their products. They had to pay more for the raw product since untreated supplies were limited or purchase concentrate from countries outside the U. S. which do not have laws regulating chemicals such as DDT usage to make their juice and sauce. It is true any foreign concentrate juice they purchased would have to be Alar free, but that is as far as it goes.

Because there exists no uniform national tolerance on pesticide residues most processors and fresh market apple growers voluntarily refrained from using the compound last year because of uncertainty in what their individual states might do in the future.

For an example close to home, the 25 members of the Shoreham Cooperative Apple Producers Association voluntarily elected not to use the chemical Alar last year and have done so this year as well, They do so because of a few buyers refusing to accept Alar-treated apples, the public out cry of so called environmentalists, and the action taken by the states of Maine and Massachusetts. There exists a complete feeling of uneasiness amongst all farmers because of political statements from politicians implying that pesticides should be eliminated from agriculture. If we do so all the food for the United States will be produced on soils outside of our own country.

To summarize I am requesting that you consider the following:

1. Consider mutual coercion when rewriting F.I.F.R.A.. Utilize the wealth of knowledge available and not base judgement on politically rewarding policies.
2. Develop a provision for national uniform pesticide tolerences in food products.
3. Not make irresponsible statements to the media concerning pesticide usage and regulations.

Yours Truly,

STATEMENT OF
CHRISTINE AND JOHN BEATTIE
BELLWETHER FARM, BOX 262
SALISBURY, VERMONT 05769

The Middlebury Planning Comission recently approved the re-zoning of 450 acres of land from agricultural to medium density residential. The selectmen have reluctantly agreed, and only after considerable community pressure, to support a study to assess the impact such land use changes would have on the community as a whole.

We believe this trend toward rapid development is occurring at this time because certain factors have coincided:

1) Farmers are selling their land to developers. Feeling resentful for the lack of support they have received, farmers are insisting it is their right to receive top dollar for their land, and that means high density housing. Because agricultural policy has always required farmers to increase production in order to survive, there are more cows and more milk, yet fewer farmers and less land in active production. (For ten years we had a dairy farm in Salisbury. The number of dairy herds in Salisbury has decreased from 36 in 1953 to 13 in 1981, but the number of cows has increased from 934 to 1520 during the same period The whole herd buyout only exacerbated the trend toward fewer farms and less land in production.

2) The major impact of the recent Supreme Court ruling is that it supports the right of the landowner to get top price for his land, and hinders a community's efforts to maintain a rural landscape. "Sadly, the fall-out won't stop there. The Court has telegraphed what may prove a danger ous message: If you own real estate, and a locality even temporarily bars you from building as quickly, as big or environmentally destructive as you want, you can likely go to court and, with luck, collect big bucks - courtesy of the local taxpayers. The justices, in short, have declared open season for property owners and land speculators to shower lawsuits on cities and counties that try to control or guide growth."[2]

3) The majority of the selectmen in the town of Middlebury are pro-development. Even if the selectmen were supportive of an effort to preserve the agricultural land which has recently become available to developers, there are no government programs to help community leaders maintain a rural environment. When the whole herd buyout participants in Vermont were chosen, Paul Stone (then Commissioner of Agriculture) wrote them all letters, suggesting that they might want to contact the Vermont Land Trust (then Ottauquechee Land Trust) so that they could realize some gain from their land without opening the door to developers The Land Trust was deluged with inquiries, and simply did not have the resources to respond. Couldn't the federal government help communities set up land trusts to buy development rights?

The appeal of this state comes from its open lands and its natural environment. The loss of these open spaces is directly resultant from the failure of those in policy making positions t insure this beauty. Insufficient property tax relief, measures with discourage youth from seeking a career in agriculture, an insufficient price support system, and the failure to support sufficiently a diversified agricultural economy have finally insured that the shift is now complete: land is

1 The Salisbury Town Plan
2 "National Viewpoint" by Neal Peirce

no longer valued for what it can produce, for how it can strengthen us both physically and emotionally, but instead is valued only as a commodity which is bought and sold, altered and abused, denuded and developed by those few individuals whose monetary greed leaves us all the less. The community of Middlebury, the State of Vermont, and this nation are threatened, and the only savior is a workable agricultural policy.

The standard response seem to be that we should wait to see whether or not the buyout program will work. But, we don't have time! We need tools to preserve the agricultural land which the buyout has put on the marker, and we need an agriculture policy, such as that proposed by Senators Harkin and Alexander, which reverses current trends by allowing farmers to receive a reasonable income from a reasonable production level.

Thank you.

Christine and John Beattie
Bellwether Farm Box 262
Salisbury, Vermont
05769

STATEMENT OF MARCEL MOREAU
SWANTON, VERMONT

I would like to thank you for giving me the opportunity to present my thoughts to your Committee.

Some points I would like to see considered in developing farm policy are:

- Imported foods should be grown and processed under the same strict standards that our own foods are produced under.
- Government agencies should work together to implement farm policy. (You do not want a herd buy-out for example and have FmHA putting farmers back on buy-out farms.)
- Price of milk should be regionalized so as to reflect costs and amounts of production in different areas of the country.
- Prices should be allowed to be more market oriented without government interference.
- I would like to see milk quality standards made tougher and payments made for top quality milk. This could have the effect of reducing milk surpluses by removing some milk from market and increase consumption by improving consumer acceptability.
- I would like the 1985 Farm Bill to be allowed to run its course without changes.
- I don't believe that quotas would be the salvation of the "family farm" as some people would lead you to believe. Part of the reason that America's farms are as efficient and productive as they are today is the fact that our agriculture was allowed to mature in a free enterprise system. I believe quotas would take that freedom away and would stagnate our agriculture in this country.

I own a farm in Swanton, Vermont which my wife, Peggy, and our three sons, Michael, Daniel, Mathew, and daughter, Elizabeth, farm together. We milk 50 cows and raise all our own replacements. We have 50 tillable acres and buy about 20 percent of our roughage needs.

Without my family's help and willingness to help, I would not have been able to come today.

My children range in ages from 6-15; they work hard on the farm while their friends are enjoying their summer playing games and going on vacations, etc. There is very little monetary reward for their efforts. Our home is in bad need of repair; our farm needs many improvements and much of our equipment needs replacing, but there is not even enough money to pay all the bills.

We bought our farm in 1978 when prices and optimism was at its peak. We had to work hard for what little we have; we did not inherit the family farm.

This country needs to examine its cheap food policy and make sure that its farm population receives a fair amount of money for the hours it spends working. I work an average of 100 hours a week and haven't had a day off in over nine months. My 13 and 14 year old sons have worked an average of 50 hours a week all summer. It seems to me that we should have more of the nice things in life than we do.

STATEMENT OF MAURICE R. DIETTE, 16 RUDGATE RD.,
COLCHESTER, VT 05446

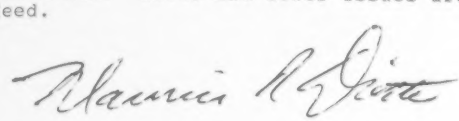
It is my understanding that this testimony will be made part of the Hearing that I attended and wish to comment on.

The present focus on research and development that will increase yield per cow certainly has merit. Of more importance to me is a much stronger focus on marketing efforts and exporting efforts that will enable us to encourage production rather than encourage the subsidy of idle milk and commodity factories. I have a real problem with the concept of paying people not to produce while there is a need in the world markets for the products. Is it not possible for foreign aid to take the form of ag commodities rather than cash?

We have many forms of federal subsidies and payout programs intended to preserve a way of life including the federal forests and parks and that is great. What is different from that and the subsidy of the family farm that permits families to make a living and at the same time preserving open spaces with a full time caretaker on the premises to look after the land.

I SUBMIT, THE FAMILY FARM AND THE WAY OF LIFE IT REPRESENTS IS WORTH THE PRICE OF SUBSIDY TO THE GOVERNMENT AND THE TAXPAYERS THAT MAKE IT POSSIBLE. IF PRODUCING MILK IS A SOLITARY OBJECTIVE THEN MILK FACTORIES CONSISTING OF 2000 or more cows can be created anywhere <u>including third world countries</u>. THE CONCEPT OF THE FAMILY FARM AS A SMALL INDEPENDENT CONTRACTOR STILL MAKES SENSE. If farming becomes strictly "big business" then the government will have another kind of problem and price to pay that will make the government vulnerabe to the "big business" syndicate of farming that will only have <u>profit</u> as its motive.

Beyond farming I am very concerned about the condition and future of our water and ground water supplies. What a state of affairs when the condition of Lake Champlain, our big beautiful lake is in a condition that we cannot swim in it. Yet that same lake is the primary or sole source of drinking water for the majority of Chittenden County. I SUBMIT, THE E P A AND ANY OTHER AGENCY CHARGED WITH ENFORCEMENT OF LAWS THAT ASSURE CITIZENS OF A CLEAN ENVIRONMENT DESERVE YOUR FULL SUPPORT TO BE SURE THAT THE BALANCE BETWEEN THE FORCES OF BIG BUSINESS AND THE BASIC NEEDS OF OUR SOCIETY ARE MAINTAINED. Water and sewer issues are very serious issues indeed.



STATEMENT OF
WESLEY C. LARRABEE
FARM OWNER, APPLE GROWER

Before the U.S. Senate Agriculture Committee
at St. Michaels College
Winooski, VT
July 27, 1987
on
National Uniformity in the Regulation of
Pesticide Residues on Food and other Pesticide Regulations

I am a lifetime resident of Addison County, Vermont, and have been both a dairy farmer and an orchardist on my family farm all my life. The farm has been in the Larrabee family for more than 150 years and our daughter, Judy, is now an active partner in hopes of continuing the line for another generation. Life used to be simple with few government regulations in regard to the use of chemicals and very few problems resulted. But it is not so any longer. We are now approaching a police state with someone watching every move we make in our orchard operation.

We would prefer not to use chemicals to protect our apples from fungus and insects for several reasons. Pesticides are expensive and difficult to apply. The chemicals are hazardous in their concentrate state. Spraying must be done mostly at night because of prevailing windy conditions during daylight hours. Consumers demand that we furnish a perfect product because they do not wish to obtain their daily protein from worms and they prefer a perfect skin on the fruit with no blemishes.

Natural parasites would be the ideal way to control many insects but this is not effective for commercial operations because there are some insects that do not have natural predators. In the past two years, we have spent many hours trying to develop biological control for mites, one of the most difficult insects to control. We have had only minor success. Therefore, we anticipate that we will still have to use very expensive chemical controls to stop damage to the trees for many years. Mite damage to the trees causes the apples to drop prematurely.

In regard to the proposed FIFRA regulations to set federal standards for residues, the time has come to make the regulations on a national level rather than keeping the confusing array of state standards that we now have. In addition, we must not make the farmers liable when problems develop when a chemical is used according to the instructions on the label. Manufacturers will have to assume responsibility for their product.

Press releases by congressmen and others indicating that we are producing foods which contain poisons are not needed. We have enough problems, as farmers, to produce and sell the abundance of quality food required to keep our United States citizens healthy without someone creating unnecessary suspicions about food products. Often, imported foods do not meet the rigid requirements required of domestic foods.

Apple growers are about the last free enterprise group left in agriculture. We do not ask for government handouts or subsidies. We market our products according to the supply and demand system and all we ask is to be left alone to produce a product that is clean and healthy. We are not about to poison people with our apples.

American consumers have, without a doubt, the safest food supply in the world. The continuing rise in the average age of death in the United States is a dramatic testimonial to that fact and to the hard working farmer.

Wesley C. Larrabee
RFD #1 Box 56
Shoreham, VT 05770

Attachment follows:

Page 12A — THE PACKER, Sat., June 6, 1987

Caution: FIFRA on Leahy's terms

Congress had its best shot at reforming pesticide law last year. But that effort failed, despite the tenuous agreement among chemical companies, environmentalists and government agencies.

But now Congress is again trying to rewrite this complex and controversial law, the Federal Insecticide, Fungicide and Rodenticide Act. And this time around, the agricultural interests — growers, shippers and others — had better be on guard. They, and indeed the entire fruit and vegetable industry, stand to lose a lot while gaining little.

This time around there is a new Congress, with new leadership and a new agenda. On the Senate side, the Democrats are in control, as they have been on the House side for years. The new Democratic chairman of the Senate Agriculture Committee, Sen. Patrick Leahy, D.-Vt., says he wants FIFRA reform but he wants it on his terms — without such provisions as uniform national tolerances.

Without national pesticide standards, growers and even local supermarkets, face a potential situation where states and other government bodies can devise their own pesticide standards. This only can create economic turmoil without enhancing public safety. State and local government should have rights, but not the right to set up little local fiefdoms in regulating the food supply. The Constitution gives the Congress and the federal government jurisdiction over interstate commerce, and that includes foods and chemicals.

Admittedly, under the chairmanship of Sen. Jesse Helms, R.-N.C. the Senate Agriculture Committee became something of a do-nothing body that gave way on most issues to the House. But now we fear that under the new chairman the committee will go to the extreme other way: it will become an activist body heavily influenced by environmentalists and partisan politics to the detriment of a declining rural and farm economy.

Sen. Leahy has gone from a minority position to one of majority control and leadership. It is one thing to take potshots from the sidelines; it is something else again to help guide the future for millions of producers and consumers. During hearings on the National Academy of Sciences report on pesticide risk, Chairman Leahy commented that when he hears these kinds of reports he is tempted to begin "fasting."

We hope the senator from Vermont was only joking. A time when the food producers and the food supply are under increasing attack, is not the time for the chairman of the Senate Agriculture Committee to advocate that people stop eating. The nation's food producers, who create real and not paper wealth, have enough fast-talking, hip-shooting critics without having one at the head of the senate committee with agriculture in its name.

Sen. Leahy comes from a beautiful and rural state. But it is not a state in the mainstream of U.S agriculture. There are farming counties in California larger than the whole state of Vermont. The South and Midwest are heavily dependent on food production and processing.

The kind of big agriculture in these areas may not be as picturesque as some theoretical rural Eden in the minds of some. But this modern agriculture is a mainstay of the economy and it cannot be sustained without technology. And that includes reasonable access to pesticides. Controlling insects by pounding them with a brick won't get the job done.

We hope any rewrite of FIFRA will lead to a balanced law that balances health and environmental concerns with the need for a safe, yet reasonably priced and abundant food supply. Such a balanced law will recognize the special needs of the fresh produce industry that provides healthful products, not harmful ones. This law should also protect producers and others in the food system from lawsuits and liability provided they use pesticides within the law.

And we hope that instead of fasting, Sen. Leahy will repair to the nearest bar for some refreshments. We mean salad bar.

"The Packer" is a for-profit industry publication focusing on the growing, transporting, and marketing of fruits and vegetables.

Statement for the Senate Agriculture Hearing

Colchester, VT - July 27, 1987

My name is George B. MacCollom, Entomology Professor, University of Vermont. My professional career spans 32 years and includes the following:

1. Visiting scientist with the Australian Government for 1 year, working on insect viruses as a biotic control.

2. Six months with USEPA, working in Research and Development for Toxics and Pesticides.

3. Teach a graduate level course in the biological control of insects.

4. A participant in the research leading to successful biological control of the alfalfa weevil and, more recently, the alfalfa blotch leaf miner in the Northeastern states.

5. Currently involved in research aimed at development of "trap-out" strategy for a major apple pest, the apple maggot. (Mr. N. Cowles who was a panelist at the hearing, alluded to this work).

With this brief introduction I would like to make a few remarks about pesticides, FIFRA, and what I believe needs to be addressed.

On May 20, 1987, the National Academy of Sciences released a report entitled "Regulating Pesticides in Food: The Delaney Paradox." This report is the result of a request made by EPA in February 1985, to the Board on Agriculture of the National Research Council, asking them to study EPA'S methods for seeking tolerances for pesticide residues in food. More specifically, they were asked to focus on the impacts of the Delaney Clause in the Federal Food, Drug and Cosmetic Act, which states that food additives which "concentrate in processed foods" and that "induce cancer" in man or animals shall not be allowed, and on the statement in the Act that directs regulators to balance protection of the public's health from pesticide residues on raw foods with a need for "an adequate, wholesome, and economical food supply."

Risk estimates in the report are derived for 28 of 53 suspected oncogenic compounds on a list transmitted by EPA to Congress in October 1985. The estimates, which are limited to oncogenic risk from pesticide residues in food, are based on the assumption that all residues are at the tolerance level and on a pesticide's oncogenicity potency (calculated by EPA scientists and not formally peer-reviewed). EPA's current methodology for quantitative risk assessment, many elements of which have been questioned, is used to generate these estimates. The report recognizes that a wide margin of uncertainty surrounds nearly all the numbers and stresses that the focus should be placed on general patterns of risk distribution.

In reading this report it is important to note the assumptions are based on:

1. half your diet for 70 years consists of foods to which have been applied maximum allowable levels of all suspect pesticides,

2. these foods contain the maximum residue (tolerance) levels,

3. you would NOT wash, peel or strip foods,

4. No risks would result from pest-contaminated food (e.g., mycotoxins, etc.).

While this report addressed the regulatory language impacting tolerances and regulations, it has brought attention to the need for more logical methodology in estimating risk.

A major concern for consideration is that USDA develops benefit assessments for suspect pesticides, and USEPA develops risk assessments. The EPA then has the responsibility for risk management. This, many of us feel, is tatamount to having the fox guard the chicken house. It would be highly desirable for a third federal agency to have risk assessment, and EPA only have risk management.

Briefly, other major concerns I have in the pesticide area, are:

1. That the ever-more restrictive regulations are slowly stopping the research and development of new compounds. Industry no longer wants to make the large capital investment in agricultural chemicals because of a questionable future. Where are new generation pesticides to come from?

2. IPM is a great acronym, but realistically is no different from what entomologists and pathologists have endeavored to do for the last 100 years (if we go back to the Vedalia beetle for cottony cushion scale control in California).

3. There is disproportionate staffing between the USDA and EPA in the whole area of ag. chemicals. Equitable staffing in both agencies would be desirable.

4. Classical biological control of insects (insects controlling insects) has been successful on only about 110 species out of 4,500 species that are considered economic worldwide,

5. There is no panacea for pest control in the foreseeable future. Curtailment of availability and use of agricultural chemicals in the long term will pose far greater risks for human welfare, than the risk assessments that have been put forth thus far,

6. Finally, advances in pest control will be made, but they cannot be hurried. It takes dedicated science, adequate funding, and objectivity on chemical use.

The University of Vermont
COLLEGE OF AGRICULTURE AND LIFE SCIENCES
DEPARTMENT OF PLANT AND SOIL SCIENCE
HILLS BUILDING, BURLINGTON, VERMONT 05405-0082

July 31, 1987

Senator Patrick Leahy
Russell Senate Office Bldg.
Washington, DC 20510

Dear Senator Leahy:

This letter is in response to the Agriculture hearing which I attended on July 27, 1987. Please consider the following comments I wanted to make and place them in the record for the consideration of your committee.

My name is Alan Gotlieb and I am an Extension Plant Pathologist and Research Scientist at the University of Vermont. My position deals with identifying the causes of crop diseases and recommending means for the control of these disease problems. My research deals with understanding the biology and interaction of plant diseases as well as the development of biological methods to control plant diseases and weeds.

Over the past five years I have been working to develop a fungus which attacks velvetleaf, a very serious weed in soybeans and corn, and has resulted in the development of a patent held by the University of Vermont utilizing a fungus disease for the control of velvetleaf.

Interests in the use of beneficial parasites, predators and pathogens has increased in light of continuing acceleration of problems associated with pesticide use. Last year 850 million pounds of insecticides, herbicides, fungicides and nematicides were used in the U.S. alone. The use of these compounds was the result of billions of dollars of research and development by chemical companies throughout the U.S. Food and environmental contamination, excessive application, misuse, pest resistance to chemicals, deleterious effects on non-target organisms and uncertainties over long-term effects combine to emphasize that such heavy dependence on this method of pest control is not sustainable. However, industry still continues to develop more chemicals rather than looking for new alternatives.

To relieve pressure on the problems I described above in any significant way will require a heavy investment into biological control research. Just as industry has invested billions of dollars into controlling pests through use of chemicals, major increases over the current funding base for biological control research will be required if maximum benefit is to be realized in the application of biological control strategies.

Today there are less than 200 scientific man years in the United States working to control pests through biological control, which include entomologists, pathologists, and weed scientists. These scientists currently work with average operating budgets of less than $4,000 a year. While their laboratories are built and heated and their salaries are paid, a lack of

operating monies has resulted in very slow progress. You have heard of the old saying "five cents short of a dollar"? That is where we are today. We are five cents short of a dollar from having the funding necessary to carry forward a strong biological control research program in 200 laboratories.

I suggest that we have a national program developed for competitive funding in biological control research. A two-pronged approach to meet these needs is indicated. First is a bold new thrust in developing more understanding of the fundamental biology of pests, hosts, and beneficial agent interactions. The application of biotechnology methodologies will be crucial if maximum benefits are to be derived from this research. Biotechnology will provide ways of identifying the structure and function of specific virulence and adaptive genes through gene identification, isolation sequencing, and utilization in agent modification by genetic engineering processes. The ESCOP subcommittee on biological control (of which I am a member) estimates that 20 adequately funded two-year joint investigative projects will require 8 million dollars, plus 40 single investigative projects for an additional 8 million dollars. Thus, 16 million dollars could fund 60 projects dealing with biotechnology tactics to improve the possibility of biological control.

The second prong of this research effort would be focused on research to enhance the application of currently underfunded applied research activities. This part of the program we estimate would take 50 adequately funded two-year grants totalling approximately 10 million dollars. Both programs would be outgrowths of recommendations by the recently established ESCOP Subcommittee for Biological Control of Pests.

Twenty-six million dollars, the total of which I recommend above is a very small investment compared to the billions of dollars each year industry is investing in the development of chemical controls in the United States. At the very least this would be a start to adequately fund what I see should be a continuing research program to develop biological control alternatives to replace chemicals in the future.

In your deliberations in the development of a new FIFRA Act to reduce and safely use chemical pesticides, please remember that industry will not make the investment to develop alternatives which they cannot sell. Biological control methods will not be a big money-maker to industry at any time. Therefore, there is little interest on the part of industry to develop biological controls. Only public funds can provide the money necessary to develop the alternatives of the future which will replace chemicals. Bioligical control will weigh heavily as a future alternative.

Sincerely,

Alan R. Gotlieb

Alan R. Gotlieb
Professor of Plant Pathology

ARG/aj

Vermont Public Interest Research Group, Inc. • 43 State Street • Montpelier • Vermont 05602 • (802) 223-5221

VPIRG

TESTIMONY OF

JOAN MULHERN

ACTING ASSOCIATE DIRECTOR

OF THE

VERMONT PUBLIC INTEREST RESEARCH GROUP

BEFORE THE

COMMITTEE ON AGRICULTURE

UNITED STATES SENATE

VERMONT FIELD HEARING

JULY 27, 1987

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Mr. Chairman, my name is Joan Mulhern. I am the acting associate director of the Vermont Public Interest Research Group. VPIRG is a non-profit, non-partisan advocacy organization concerned with consumer and environmental issues.

On behalf of my organization and the over 4000 Vermont families we represent, I would like to thank the Committee for coming up to Vermont and giving us this opportunity to speak with you today.

There are two issues that I would like to address. Both are priorities of our organization, due to the overwhelming concern of our membership regarding them. And both are issues that are directly related to the work of this Committee, as they involve agriculture, food safety, and the environment and are currently before Congress.

They are the issues of food irradiation and reform of federal pesticide laws.

FOOD IRRADIATION

Federal legislation now under consideration by the House and the Senate could halt two federal agencies from continuing with plans which allow greatly expanded use of food irradiation.

Irradiation extends the shelf-life of foods by exposing them to highly radioactive materials, including wastes from nuclear weapons production. When foods are bombarded with rays from these isotopes, chemical changes occur within them and new chemical by-products are produced.

VPIRG's concerns about food irradiation fall into three categories: health effects of eating an irradiated diet, labeling, and the public health and environmental impact of irradition processing facilities.

Although the safety or "wholesomeness" of eating irradiated foods has been studied for 30 years, there is still widespread controversy about the adequacy and conclusions of most research. In the midst of this debate, one thing is clear: irradiated foods have not been proven safe. No one knows what the long-term effects of eating irradiated foods will be. Many animal studies have indicated adverse results, such as increased mortality, decreased number of offspring, kidney disease, and tumors.

In a review of over 400 irradiation studies, the Food and Drug Administration concluded that only 5 were adequate. Their response to the controversy of these studies and the lack of credible data has been to declare that studies are no longer needed to demonstrate safety.

We disagree. Unique radiolytic by-products, produced in foods when irradiated, have not been thoroughly identified. There is no evidence that carcinogens are not formed in irradiated foods. FDA's claims that the amounts of these by-products is "minimal" does not convince us of their safety - a single carcinogenic molecule can produce a tumor decades later.

FDA's April, 1986 final rule on food irradiation requires labeling to include the words "treated with radiation" for two years only. After that, the wording will be reviewed and possibly dropped, leaving only a flower-like symbol, the so-called "radura," on the label. FDA's rule also explicitly exempts ingredients from the label requirement, even if the irradiated ingredients compose the majority of the food product. Without a label, irradiated food can not be identified -- there is no visible sign when food is treated with radiation. We strongly believe that as consumers, we have the right to know what is in our food. At the very least, if irradiated foods are allowed in our markets, we must have comprehensive and accurate labelling so we may make informed choices about what to buy, and whether to assume the risks of eating such foods.

Last year, the Vermont Legislature passed the country's first statewide food irradiation labeling law, responding to a clear message from constituents that Vermonters want a truthful label on foods treated with irradiation.

In addition, food irradiation requires the transportation and storage of high-level nuclear waste. Cobalt-60 and cesium-137 -- by-products of the nuclear power and nuclear weapons industry -- are used to irradiate foods. The Department of Energy has already encapsulated cesium-137 for use in irradiation processing facilities, and is moving ahead with plans to build six pilot project irradiation plants. The industry and the federal government have estimated that 1,000 irradiation processing facilities could be located in local communities throughout the country within ten years, irradiating up to one-half of our food supply. VPIRG is adamantly opposed this plan, and we believe that most Vermonters share our concerns.

The Food Irradiation Safety and Labeling Requirement Act, introduced by Representative Douglas Bosco of California and Senator George Mitchell of Maine and now before Congress, requires strict labeling of all irradiated foods, and blocks implementation of FDA approvals of the irradiation of pork, fresh fruits and vegetables. The bill would also require an extensive study of the impact of food irradiation on human health of the environmental impact of irradiation facilities on communities, and of the safety of radioactive materials transport.

To date, 10 Senators and 73 Representatives have co-sponsored the Food Irradiation Safety and Labeling Requirement Act. Hearings have been held in the House on the proposal. VPIRG asks the U.S. Senate Agriculture Committee to give full hearing and consideration to this important bill.

FIFRA

Reform of our national pesticide laws is years overdue. The Federal Insecticide, Fungicide and Rodenticide Act (FIFRA) is riddled with loopholes that allow pesticide manufacturers to pass potentially dangerous chemicals on to the agriculture community and the public virtually without scrutiny. The EPA is decades behind in its mandate to reassess the safety of pesticides now in use. Meanwhile, pesticide residues continue to pose substantial risks to public health, and to the environment.

The problems created by the use and misuse of pesticides have been a major concern of VPIRG's since the 1970's. Events in recent years have greatly increased the public's awareness of both the dangers of exposure to pesticides, and the complete inadequacy of federal regulatory actions.

The Environmental Protection Agency (EPA) itself declared last spring that pollution from pesticides is the most urgent problem it faces, because exposure is so great. We are all exposed to pesticides, through the food we eat, the water we drink, and the air we breathe.

In the face of past failure of EPA or Congress to address the urgent need for pesticide reform, individual states have been struggling to grapple with this difficult issue on their own. Vermont has taken important steps in addressing the risks of exposure to pesticides, through policies and regulations that are models for the rest of the country. For example, state policy now calls for minimizing the use of pesticides in favor of non-chemical alternatives.

While the right of states to set stricter standards on their own is vitally important, and must not be compromised under any circumstances, small states such as Vermont, with extremely limited resources, simply cannot address this problem alone.

We hope that the Senate Agriculture Committee will make FIFRA reform a top priority. In particular, we hope that as Chairman and our representative, Senator Leahy will take the debate far beyond the last minute, failed compromises of last year, and bring FIFRA up to the level of protection of other major environmental legislation that senators such as yourself have worked so hard to enact.

The introduction of the pesticide reform bill by Senators Leahy and Lugar is an important first step toward re-authorization of FIFRA. The bill contains several improvements over last year's House proposal, which would have weakened current law. It also improves existing law in other areas. As the Committee begins their deliberations on this legislation, we ask that you consider additional amendments to the bill.

VPIRG has outlined a priority list of issues that we believe must be a part of any FIFRA reform package. I would like to mention several of these provisions that we believe should also be included in FIFRA if the law is to protect the public and environment.

COMMUNITY RIGHT-TO-KNOW

A Community Right-to-Know program, modeled after the re-authorized Superfund, should be established, so that employees and the public will have full information about the manufacture, storage, use, and health effects of pesticides. The lack of reporting of this information will hamper state and federal efforts to control water contamination. Right-to-Know provisions should include full disclosure on pesticide labels of the identification of "inert" and other ingredients, special warnings for chemically sensitive groups, such as pregnant women, of the effects of exposure, and dissemination of all health studies to the public.

CITIZEN SUITS

Citizens should be given a private right of action, to sue government agencies or private parties to enforce the law. FIFRA is currently the only major environmental legislation without such a provision; including it would aid enforcement, provide incentive to use pesticides with greater caution, and benefit law-abiding individuals and businesses by reducing the number of applicators who compete unfairly by ignoring environmental laws. We oppose any limitation on liability of manufacturers and commercial applicators.

GROUNDWATER PROTECTION

A strict groundwater monitoring program that conforms to the 1986-87 amendments to the Safe Drinking Water Act and the Clean Water Act should be established. The groundwater protection bill introduced by Senator Leahy and Senator Durenberger should be included in the reform package.

FARMWORKER/EXPOSURE ISSUES

Farmworkers and the public at large need greater health protections. All commercial applicators should be required to use best available technology to avoid drift. A worker protection program should be established, which includes long-term record-keeping and "whistle-blower" protection. Farmworkers, thousands of whom are not protected under OSHA, should be given equal protection status with other workers. US Department of Labor statistics reveal that farmworkers have the nation's highest rate of occupational injuries due to exposure to toxic chemicals; clearly those who harvest our nation's food deserve better working conditions than this.

VPIRG PRIORITY LIST FOR PESTICIDE REFORM LEGISLATION

REGISTRATION/REGULATION ISSUES

--Require complete health and safety testing of all pesticides, including "inert" ingredients, and put EPA on a strict schedule to complete this task by a date certain. Require more comprehensive testing of pesticides, including neurotoxicity and environmental fate.

--Eliminate loopholes in the registration and reregistration process, such as conditional registration for new uses of existing chemicals, or for new chemicals.

--Streamline procedures for cancellation and revocation of tolerances.

--Give EPA the authority to collect fees to cover the Agency's cost of registration and reregistration.

--Repeal indemnification.

--Pesticides banned in this country should also be banned for export. Stricter standards and more frequent testing of imported foods for pesticide residues should be required. Importation of foods with residues of cancelled or suspended pesticides should be prohibited.

--The right of states both to set their own standards in absence of a national standard, and to set more stringent standards than federal levels, should be preserved.

PUBLIC/ENVIRONMENTAL HEALTH ISSUES

--A Community Right-to-Know program, modeled after the re-authorized Superfund, should be established, so that employees and the public will have full information about the manufacture, storage, use, and health effects of pesticides. This should include disclosure on pesticide labels of the identification of "inert" and other ingredients, and dissemination of all health studies to the public.

--Citizens should be given a private right of action, to sue government agencies or private parties to enforce the law.

--A strict groundwater program that conforms to the recent amendments to the Safe Drinking Water Act and the Clean Water Act should be added to FIFRA, such as the recently introduced Leahy-Durenberger bill.

--Workers, paticularly farmworkers, need greater health protections. A worker protection program should be established, which requires better record-keeping and whistle-blower protection. All commercial applicators should be required to use best available technology to avoid drift.

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VPIRG

TESTIMONY OF

ROBYN COOK-HUBNER

OF THE

VERMONT PUBLIC INTEREST RESEARCH GROUP

BEFORE THE

COMMITTEE ON AGRICULTURE

UNITED STATES SENATE

VERMONT FEILD HEARING

JULY 27, 1987

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Researchers have documented dangerously high levels of environmental contamination due to years of pesticide usage in the U. S. EPA has found 23 pesticides in the water tables of 24 states. A Cornell University study tells us that less than 1% of pesticides used actually reach the intended targets, and that 45,000 Americans are poisoned annually from these same chemicals.

At the same time, the public is given false or misleading information on the health and environmental effects from the use of pesticides. We often hear that these chemicals are safe when used according to label directions; that they are recommended, approved by, or endorsed by federal agencies, and that they wouldn't be on the market if they hadn't completed a battery of health and safety tests. In fact, a recent National Academy of Sciences study found only 10% of all pesticides on the market today have adequate data to allow a full health assessment.

It is for these reasons that VPIRG supports efforts to reform the Federal Insecticide, Fungicide and Rodenticide Act.

We hope that this year's reform package will require pesticide manufacturers to provide funds to complete required testing of pesticides for reregistration. We urge you to give full, not partial, responsibility of safety testing to those who profit from the sale of these products.

Fees generated from proposed Bill.....$113 million

EPA estimate of fees needed to reregister.....$260 million

$147 million short

The proposal begins to eliminate loopholes in the registration process which allow untested pesticides to be used. We're counting on you to prevent the conditional use of untested pesticides. (Proposed Bill allows "minor use", "use in the public interest").

VPIRG very strongly supports streamlining proceedings for cancellation and is pleased that the proposal will reduce the process from five to ten years to 18 months.

And, while this year's proposal attempts to relieve the EPA's burden of indemnification to pesticide manufacturers for cancelled pesticides by requiring an act of congress to appropriate the reimbursement funds, it still does not relieve the public from having to pay for the removal of chemicals that are causing them to suffer adverse health effects. This kind of reimbursement is not required for any other type of product cancellation, and is an unfair burden to the American public.

We're counting on you to reduce harmful residues on our imported produce by banning the export of cancelled or unregistered pesticides. We also feel an obligation to protect the health of civilians in the countries who import these chemicals, where they are poorly regulated. These people are often unable to read label precautions written in English, THEY use empty pesticide containers to collect drinking water, and receive little or inadequate health care.

We urge you to defend and preserve our state's authority to set strict standards for pesticide residues on food.

We're depending on you to oppose any exemption or limitation on liability for pesticide manufacturers or applicators.

Because we're seeing so much evidence of exposure to certain pesticides causing neurological damage, we're relying on you to require more extensive neurotoxic and behavioral effects testing.

And finally, because as much as 97% of a pesticide product is comprised of so-called inert ingredients, which actually are not chemically or biologically inactive as the term would indicate, we're counting on you to authorize mandatory testing of all pesticide product ingredients.

Lowell Krassner
24 Beacon Street
South Burlington, Vermont 05401
August 3, 1987

Senator Patrick Leahy
United States Senate
Washington, DC 20510

Dear Senator Leahy,

I attended the hearing of the Senate Committee on Agriculture, Nutrition, and Forestry, held at St. Michael's College on July 27th, but was unable to present my testimony at that time. I would appreciate it if you would insert the enclosed observations on Forest Service performance in the record of that hearing.

From a report on the Green Mountain Forest Plan in the **New York Times** (Aug. 2, 1987) I understand that you plan to hold oversight hearings on the Forest Service. Please keep me informed, for hope to be able to present further testimony on this subject at such hearings.

Thank you for your attention to my requests.

Sincerely yours,

Lowell Krassner

OBSERVATIONS ON NATIONAL FOREST PLANNING AND MANAGEMENT

I have had a long-standing interest in forestry and in the National Forest System. As a citizen I have spent considerable time in reviewing the planning and operation of our National Forests, in the hope that I could help them better serve the broadest interests of their owners, the American public.

Over the past few years, a major task of the U.S. Forest Service has been planning for the future of the National Forest System. By and large, the individual Forest Plans produced thus far have met with a great deal of opposition from both individual citizens and conservation organizations.

Vermont has proved a singular exception to such controversy, and our Green Mountain National Forest Plan has been widely praised for its goal of providing the most valuable public benefits from a national forest. In a region with a large population and relatively little public land, space for primitive recreation is at a premium. Fortunately, the Forest Service recognized this value, and decided that its most important role was to provide benefits not readily available from private land, including both outdoor recreation and high quality timber. The disputes that surround many plans have not occurred here, because GMNF has recognized the greatest value of the resource it manages for the public.

It is unfortunate that this view of the true value of public land is not held more widely within the Forest Service. I have just returned from a visit to our most populous state, California. I have a concern for the stewardship given the national forests there, for they also belong to me as an American. While conditions on the West Coast are in some respects different from the Northeast, there are also important similarities. There too, a large population uses the national forests for recreation and depends on public lands for scenery and open space. And though there is more national forest land, there are troubling problems in the management of the national forests.

One area we visited is the Big Sur region of California, famed for its spectacular coastal scenery, where rugged mountains meet the sea. Lying between Los Angeles and San Francisco, this region is a major recreation center. Much of the mountain terrain is within the Los Padres National Forest, which formerly maintained a full-time visitor information service on the coastal highway. This year, because of cuts in the Forest Service recreation budget, visitor services at the ranger station have been cut to weekends only, despite the large numbers of visitors to the region.

Clearly, Forest Service priorities are misplaced when recreation services, important to the public and far more vital to the local economy than timber sales, are cut back while rampant and excessive road construction continues under USFS auspices.

More permanent damage is occurring in the Sequoia National Forest, which is the gateway to Kings Canyon-Sequoia National Park. The visitor to this national park is actually in Sequoia National Forest for much of the time and for many miles after passing through the park entrance. Yet the Forest Service persists in pursuing its policies of clear cutting and road building up to the very borders of the national park, destroying scenery that by all rights ought to be protected as part of the park.

In exploring some of the Sierra Nevada scenery in this region, we encountered road after road laced through the forest like spaghetti, and each road provided access to ugly clearcuts. The devastation in progress was clearly visible from the lookout atop Buck Rock, where I learned that the cutting was being carried out before it had been determined whether the cutover areas would be reseeded by natural regeneration, or would require more costly replanting by Forest Service crews. Clearly the laws protecting the environment and requiring economically sound management of the national forests are not being followed in this area.

The best solution would be to transfer all Sequoia National Forest lands between the Middle Fork of the Kings River and the Muir Grove-JO Pass boundary to Kings Canyon National Park. Not only would the valuable scenery be better protected, but the superior interpretive and recreational facilities of the National Park Service would greatly enhance public enjoyment of this magnificent landscape.

While at Kings Canyon National Park I learned of further violations of the Forest Service obligation to protect resources. The Jemez Mountains in New Mexico's Santa Fe National Forest contain one of the most important concentrations of pre-Columbian archeological sites on the continent. This treasure contains valuable information on the early habitation and history of the Southwest, preserved in part by favorable climatic conditions.

Instead of protecting the region for examination by scholars, the Forest Service proposed to concentrate most of the Santa Fe N.F. timber sale program in the Jemez Mountains, using methods that destroyed many important sites before they could be examined. Although some of this unjustifiable Forest Service sponsored vandalism has been stopped, there is still not enough money in the Santa Fe N.F. budget to carry

out the important archeological work that should be done.

The timber sale program on the Santa Fe is one of the worst money losers in the U.S.F.S., losing 89 cents on every dollar invested. The Forest Service has chosen to increase losses here by a 70% expansion in timber cutting in Santa Fe N.F. Surely the important resources here deserve better protection than they are being given. Once again, it seems the National Park Service should be caring for a Jemez Mountains National Monument, focused upon the archeological value of the area.

A further example of misplaced budget priorities was graphically illustrated at the MacCloud District Ranger Station of the Shasta-Trinity National Forest, where I stopped to inquire about clearcuts visible on the slopes of Mount Shasta. An organization chart contained photos of all the district's staff. Of over 30 personnel, scarcely half a dozen were concerned with wildlife, archeology, or resource protection. Most, nearly two-thirds, were involved in administering and planning timber sales and road construction.

Even when entrusted with an area singled out for its unique values, the Forest Service deals inadequately with the task. The Oregon Dunes National Recreation Area, administered by the Siuslaw National Forest, has provisions for both non-motorized recreation and Off-Road Vehicle use. The ORV areas were well-marked and heavily used. In areas marked closed to ORV use, there were obvious tracks showing that the rules were not being obeyed. No USFS personnel were visible to enforce the law, and there were no indications of walking trails or interpretive facilities explaining the dune ecosystem. We found the Oregon Dunes NRA the biggest disappointment of our entire vacation tour. Once again a question of budget priorities, no doubt.

From all of the examples cited above, it is clear that the spirit and intent of the laws designed to place recreation, wildlife, and resource protection on an equal footing with commodity production in the Forest Service mission are not being followed. The budget is being used to force unneeded roads and money-losing timber sales on a national forest system whose quality is being degraded by the agency entrusted with its protection.

The Forest Service, like all bureaucracies, will follow the budget it is given as a guide to the performance desired. I urge the members of this committee to reform that budget and restore balance to Forest Service programs. In Vermont we have a sound and balanced forest plan. We want to see it carried out, not distorted by false budgeting.

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